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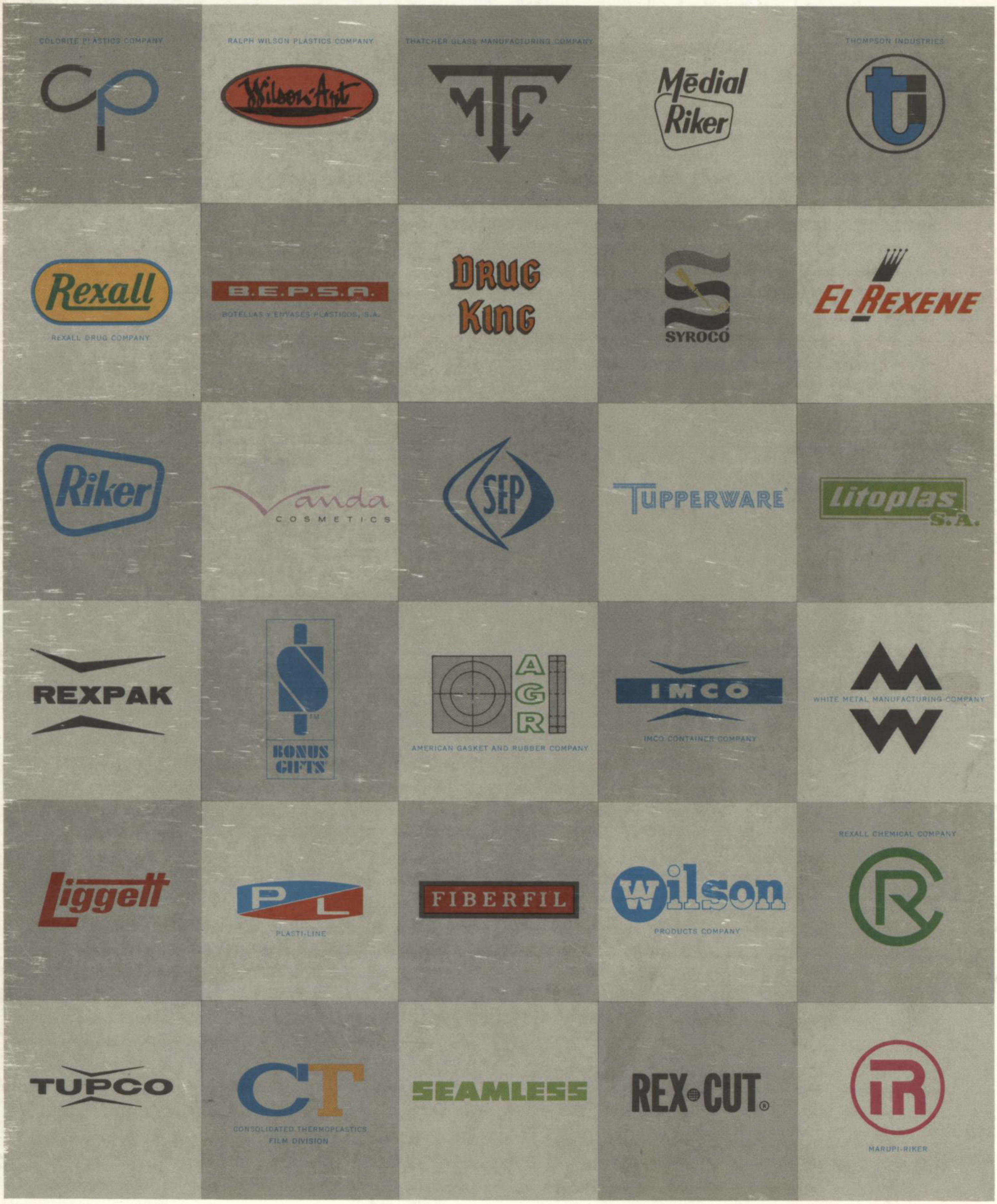
Rexall Drug and Chemical Company · Annual Report 1966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AMERICAN GASKET AND RUBBER COMPANY
IMCO
IMCO CONTAINER COMPANY
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WHITE METAL MANUFACTURING COMPANY
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P L
PLASTI-LINE
FIBERFIL
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REXALL CHEMICAL COMPANY
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Opinion of Independent Accountants

Price Waterhouse & Co.

To the Board of Directors and
Stockholders of Rexall Drug
and Chemical Company

In our opinion, the accompanying statements of financial position, capital in excess of par value and earnings and retained earnings present fairly the financial position of Rexall Drug and Chemical Company and its consolidated subsidiaries at December 31, 1966 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price Waterhouse & Co.

Los Angeles
February 27, 1967

TRANSFER AGENTS
Morgan Guaranty Trust Company of New York, New York
State Street Bank and Trust Company, Boston
Bank of America National Trust and Savings Association, Los Angeles

REGISTRARS
The Chase Manhattan Bank, New York
The National Shawmut Bank of Boston, Boston
United California Bank, Los Angeles

INDEPENDENT ACCOUNTANTS
Price Waterhouse & Co.

FOR ADDITIONAL COPIES WRITE:
The President,
Rexall Drug and Chemical Company,
Rexall Square, 8480 Beverly Boulevard,
Los Angeles, California 90054

Ten Year Financial Review

Rexall Drug and Chemical Company and its consolidated subsidiaries

(Dollar amounts in thousands except per share data; stock information relates to Common Stock, unless otherwise indicated)

FOR THE YEAR	1966	1965†	1964†	1963†	1962†	1961†	1960†	1959†	1958†	1957†
Net sales	483,974	458,141	378,519	342,391	334,909	320,328	304,898	276,879	225,342	209,587
Income tax	15,600	23,312	17,210	15,559	11,434	11,844	11,082	11,038	7,797	6,776
Net earnings	27,052	32,669	23,657	16,647	9,219*	12,397	12,006	11,394	8,704	6,960
Pro forma Preferred dividend requirements**	5,279	5,235	4,804	4,731	4,707	4,415	4,342	4,307	3,938	3,599
Net earnings available to Common Stock after pro forma Preferred dividend requirements	21,773	27,434	18,853	11,916	4,512*	7,982	7,664	7,087	4,766	3,361
Per share of Common Stock:										
Net earnings	1.71	2.17	1.59	1.03	.39*	.70	.70	.76	.57	.41
Pro forma net earnings assuming conversion of Preferred Stock***	1.76	2.14	1.67	1.19	.66*	.91	.92	.99	.84	.69
Cash dividends	.30	.30	.26¼	.25	.25	.25	.25	.25	.25	.25
Stock dividends	3%	3%	3%	3%	3%	3%	3%	3%		
Cash dividends paid:										
Common Stock	3,670	3,095	2,528	2,318	2,247	2,130	2,002	1,841	1,640	1,633
Preferred Stock	2,640									
Cash flow****	49,636	49,858	36,875	31,768	23,356	23,231	20,890	17,086	14,240	11,140
Cash flow per share	3.89	3.94	3.13	2.73	2.01	2.03	1.92	1.83	1.70	1.35
AT YEAR END										
Working capital	128,017	120,927	113,287	107,339	96,257	80,878	83,514	71,090	63,608	57,023
Properties owned (net)	165,632	153,772	113,432	95,526	84,783	81,776	58,463	51,773	41,312	34,398
Total assets	403,910	373,131	314,194	281,369	261,308	245,257	207,420	175,789	150,752	124,682
Long term debt	82,030	83,285	77,607	78,276	74,554	64,590	50,996	40,931	36,736	30,329
Deferred liabilities	14,800	11,900	10,503	10,288	6,452	4,525	2,020	833	773	
Stockholders' equity	220,204	202,212	162,939	141,945	129,214	123,796	111,551	94,397	78,287	66,093
Shares of stock outstanding:										
Common	12,773,360	12,717,783	11,820,640	11,632,235	11,613,808	11,493,346	11,116,012	9,404,892	8,729,553	8,038,463
Preferred (pro forma prior to 1966)	2,640,436	2,630,186	2,403,026	2,368,426	2,353,626	2,214,426	2,188,426	2,153,776	2,005,710	1,801,952
Stockholders:										
Common	32,370	26,769	23,262	22,217	21,948	21,079	20,287	19,151	16,911	15,852
Preferred (pro forma prior to 1966)	4,691	4,770	4,450	4,878	5,207	5,019	3,935	3,838	3,510	4,006
Employees	25,269	22,779	18,546	17,222	16,862	15,759	15,535	15,355	13,619	13,044

†Amounts for all years have been restated to reflect Thatcher merger in 1966. In addition, 1965 amounts (but not those of earlier years) have been restated for all other acquisitions accounted for as poolings of interests in 1966 financial statements.

*Before special charge to retained earnings.

**Pro forma provision for dividends on Series A $2 Cumulative Convertible Preferred Stock, issued in the merger of Thatcher Glass Manufacturing Company, Inc. into Rexall, from 1957 through 1966, as though such stock had been outstanding throughout that period.

***The pro forma per share data are based on the assumption that the Preferred Stock was converted into Common Stock on a share for share basis reflecting the shares issuable on conversion and eliminating the Preferred dividend requirements.

****Net earnings, plus depreciation and amortization and provision for deferred income taxes.

Net earnings per share is based upon the average number of shares outstanding during each year. The shares of stock outstanding and net earnings per share for 1965 and prior years have been adjusted retroactively to give effect to subsequent stock dividends and the 2 for 1 stock split in December 1964.

Notes to Financial Statements *(Continued)*

the accompanying consolidated statements include the accounts of all of these businesses as at December 31, 1966 and for the year then ended. Comparative 1965 amounts have been restated to reflect the poolings. In the restatement retained earnings of Thatcher at the beginning of 1965 were reduced $970,000 to conform to the policies of Rexall.

Rexall is a 50% owner of a plastics processing corporation and a party to a joint operating agreement whereby it has an undivided 50% interest in plant and other assets relating to the production and marketing of certain petrochemicals. Consistent with prior years, the accompanying statements include 50% of the assets, liabilities, income and costs and expenses of these jointly owned activities.

PROPERTIES LEASED FROM OTHERS

Rexall has options to purchase a number of leased properties (land, buildings, improvements and equipment) at intervals throughout the leases, and at $100 or less per lease when the leases terminate. Under criteria contained in a recent pronouncement of the American Institute of Certified Public Accountants, leases of this type are deemed by the Institute in substance to be equivalent to instalment purchases for purposes of accounting presentation. Rexall has no legal responsibility for payments under the terms of any of these leases except for rent, insurance and taxes. In compliance with this pronouncement, Rexall has recorded assets of $14,145,000 representing the cost of properties leased on this basis after 1964 (principally in 1966), and accumulated depreciation of $949,000. The related discounted lease obligations are set forth separately in the accompanying statement of financial position. This treatment had no material effect on earnings.

These lease obligations are payable $1,144,000 annually over the period of the leases until 1972 and at lesser amounts thereafter to 1992. Rentals payable under other leases are shown in a separate footnote.

INCOME TAXES

Claims for refund of United States taxes were filed in 1953 based upon the contention that the excess profits tax credits should be increased for the years 1940 to 1945, inclusive. The claims, for which no amounts had been included in financial statements of prior years, were settled in 1966 for approximately $728,000 plus accrued interest of $306,000 and have been reflected in 1966 net earnings.

Rexall deducts accelerated and guideline depreciation on certain properties for tax purposes. Further, certain process development costs are deducted for tax purposes as incurred. Provision is made currently for taxes which will become payable in future years when book amortization and depreciation on a straight line basis will exceed amounts allowable for tax purposes. Provision for such future taxes amounted to $2,500,000 in 1966 and aggregated $12,800,000 at December 31, 1966. The increase applicable to foreign taxes due after one year was $400,000.

Investment tax credits of $2,400,000 have been applied to reduce the 1966 tax provision. This compares with investment tax credits of $1,000,000 (restated) applied in 1965.

LONG TERM DEBT

Effective June 30, 1966 in conjunction with the merger into Rexall of Thatcher Glass Manufacturing Company, Inc., Rexall executed an Assumption and Exchange Agreement with lenders whereby the existing Thatcher notes payable were canceled and new notes were issued by Rexall for the balances due and at the interest rates and subject to the payment schedules then in effect. Such notes have been made subject to the terms of previously existing agreements between Rexall and the lenders relative to Rexall's Unsecured Notes Payable.

Total principal payments due in the five years subsequent to December 31, 1966 on all long term debt are as follows: 1967—$3,216,000; 1968—$3,574,000; 1969–$1,829,000; 1970—$4,989,000; 1971—$4,991,000. No contingent payments are required.

Under these loan agreements, $44,000,000 of the $107,387,000 of consolidated retained earnings at December 31, 1966 is not restricted as to payment of cash dividends. The agreements impose no restrictions on payment of stock dividends.

As of December 30, 1966 Rexall entered into a Bank Credit Agreement with certain banks effective March 1, 1967 covering a revolving line of credit with maximum borrowing of $20,000,000 to January 1, 1968 and $30,000,000 thereafter to January 1, 1970. At Rexall's option, the Agreement may be extended by converting the Revolving Credit Notes no later than December 31, 1969 to a Term Note maturing December 31, 1974.

PREFERRED STOCK

Holders of the newly issued Series A $2 Cumulative Convertible Preferred Stock are entitled to receive $2 per share annual cash dividends, to one vote per share and, upon any voluntary or involuntary liquidation, dissolution or winding up, to receive $50 per share plus accrued unpaid dividends. Each share of the Preferred Stock is convertible by the holder at any time into Common Stock on a share for share basis appropriately adjusted for stock dividends in excess of 3% or for recapitalization. The Preferred Stock may be called for redemption on and after the fifth anniversary of its original issuance, June 30, 1971, at $55 per share plus accrued unpaid dividends except that under certain circumstances involving a merger of Rexall or transfer of its assets such stock may be redeemed in its entirety prior to June 30, 1971.

STOCK OPTIONS

Pursuant to a stock option plan as amended and approved by the stockholders and under other agreements, 799,821 shares of Rexall Common Stock are reserved for purchase by officers and employees under options granted or to be granted. Options under the plan are exercisable in equal annual instalments on a cumulative basis, with those granted prior to 1964 becoming exercisable during the second through the tenth years after date of grant and those granted subsequent to 1963 becoming exercisable during the second through the fifth years after date of grant. The option price is the market price of the stock on the date options are granted. Options for 358,301 shares were exercised prior to 1966. A summary of changes during 1966 follows:

	Options Outstanding	
	Shares	*Amount*
At the beginning of the year	719,975	$12,758,000
Adjustment for stock dividend	21,602	
Options granted	88,943	2,921,000
Options exercised	(55,701)	(764,000)
Options canceled	(30,848)	(657,000)
At the end of the year	743,971	$14,258,000

	Options Exercisable	
	Shares	*Amount*
At the beginning of the year	193,481	$ 3,449,000
Adjustment for stock dividend	5,805	
Options becoming exercisable	110,038	1,776,000
Options exercised	(55,701)	(764,000)
Options canceled	(474)	(15,000)
At the end of the year	253,149	$ 4,446,000

At December 31, 1966 options for 55,850 shares of Common Stock were available for granting.

Upon consummation of the merger of Thatcher Glass Manufacturing Company, Inc. into Rexall, options for 87,100 shares of Series A $2 Cumulative Convertible Preferred Stock became outstanding upon termination of Thatcher's employee stock option plans and assumption by Rexall of the outstanding options under such plans and under certain employment contracts. There is no plan to issue any new Preferred Stock options. The options are exercisable ratably over periods up to five years commencing one year after the date of grant. A summary of changes since the merger follows:

	Options Outstanding	
	Shares	*Amount*
Assumed during the year	87,100	$2,588,000
Options exercised	(2,250)	(51,000)
Options canceled	(10,200)	(489,000)
At the end of the year	74,650	$2,048,000

	Options Exercisable	
	Shares	*Amount*
Assumed during the year	29,200	$ 660,000
Options becoming exercisable	5,000	86,000
Options exercised	(2,250)	(51,000)
Options canceled	(200)	(6,000)
At the end of the year	31,750	$ 689,000

COMMITMENTS AND CONTINGENCIES

Information concerning post 1964 leases with purchase options is contained in a separate note. Minimum annual lease rentals payable and sublease rentals receivable by Rexall under other leases and subleases in effect at December 31, 1966 are as follows:

	Minimum Annual Rentals	
Leases Expiring in	*Payable*	*Receivable*
1967 - 1971	$ 7,398,000	$ 813,000
1972 - 1976	2,625,000	951,000
1977 - 1981	1,105,000	432,000
1982 - 1986	1,113,000	43,000
after 1986	206,000	
	$12,447,000	$2,239,000

Some leases provide for rentals based upon a percentage of sales and many require additional payments for property taxes, insurance and maintenance. Some of the leases listed above entered into prior to 1965 contain purchase options. Provision has been made for estimated lease losses on properties no longer operated.

Certain lawsuits have been filed against Rexall. In the opinion of counsel, none of these suits is likely to result in significant liability.

CAPITAL EXPENDITURES

It is estimated that capital expenditures for 1967 will be approximately $45,000,000.

RETIREMENT PLANS

Rexall Drug and Chemical Company and certain of its United States subsidiaries continued the contributory profit sharing retirement plan established in 1955 covering salaried employees after one year of employment with Rexall. The aggregate Rexall contribution in any year, which is based upon consolidated income before Federal income taxes, is limited to six percent of the consolidated earnings as defined and cannot exceed the amount deductible for Federal income tax purposes. The computations include net earnings after income taxes of Thatcher and Ralph Wilson divisions whose employees do not participate in the Rexall plan, but who participate in previously existing retirement plans which Rexall continued in effect. The contribution to be made under the Rexall profit sharing retirement plan amounted to $1,486,000 for the year 1966. Contributions to pension plans amounted to $1,455,000 for 1966. The total estimated unfunded past service cost relative to all pension plans in effect was approximately $8,000,000 at December 31, 1966.

INCENTIVE COMPENSATION

Under the formula incorporated in Rexall's 1962 stockholder approved Incentive Compensation Plan for key employees, the Incentive Compensation Committee and the Executive Committee of the Board of Directors awarded to 90 key employees $497,000 of the total of $1,318,000 available for 1966. Payment of $138,000 of the 1966 awards is deferred until future years.

Pursuant to stockholder authority granted in 1962, various other approved plans are in effect for divisions and subsidiaries of Rexall, and certain special awards have been authorized for employees not participating in any plan. The above named committees awarded $1,472,000 to 441 persons in these categories. The total amount available under the plans, and inclusive of special awards, was $2,672,000. No principal officers or directors participate in these plans or special awards.

Excess amounts available but not awarded under all plans are not available for future awards and have been included in 1966 consolidated earnings.

POSSIBLE FEDERAL TRADE COMMISSION PROCEEDING

On February 15, 1967 Rexall was notified by the Federal Trade Commission of that agency's intention to institute a formal proceeding to challenge Rexall's June 30, 1966 merger with Thatcher Glass Manufacturing Company, Inc. unless a consent settlement can be concluded.

Rexall intends to avail itself of the Federal Trade Commission's Consent Order Procedure in an effort to resolve the differences short of litigation, but will litigate if necessary. The ultimate effect, if any, of this proceeding on Rexall's financial statements can not be determined at this time.

Statement of Financial Position *December 31, 1966 and 1965*

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1966	1965 *(restated)*
CURRENT ASSETS:		
Cash and short term securities	$ 20,970,000	$ 36,926,000
Accounts and notes receivable	69,976,000	64,073,000
Inventories	107,332,000	92,832,000
Prepaid expenses	3,134,000	2,830,000
TOTAL CURRENT ASSETS	201,412,000	196,661,000
CURRENT LIABILITIES:		
Accounts payable	28,825,000	29,640,000
Short term loans	8,864,000	1,725,000
Accrued compensation and taxes thereon	10,196,000	10,326,000
Other accrued expenses	14,293,000	14,450,000
Current instalments of long term debt	3,216,000	1,957,000
Estimated United States and foreign income taxes	7,596,000	17,636,000
Current instalments of discounted rental obligations	405,000	
TOTAL CURRENT LIABILITIES	73,395,000	75,734,000
WORKING CAPITAL	128,017,000	120,927,000
PROPERTIES, INVESTMENTS AND OTHER ASSETS:		
Properties owned	165,632,000	153,772,000
Properties leased from others	13,196,000	
Investment in United States subsidiaries not consolidated, at cost less reserve	2,460,000	2,380,000
Other receivables, deposits and investments, less reserve	8,157,000	7,860,000
Intangibles	10,969,000	11,149,000
Deferred charges	2,084,000	1,309,000
	202,498,000	176,470,000
WORKING CAPITAL AND ALL OTHER ASSETS	330,515,000	297,397,000
DISCOUNTED RENTAL OBLIGATIONS UNDER CERTAIN LEASES, LESS CURRENT INSTALMENTS	13,481,000	
LONG TERM DEBT AND OTHER DEFERRED LIABILITIES:		
Long term debt, less current instalments	82,030,000	83,285,000
Deferred United States and foreign income taxes	14,800,000	11,900,000
	96,830,000	95,185,000
TOTAL NET ASSETS REPRESENTING STOCKHOLDERS' EQUITY	$220,204,000	$202,212,000
STOCKHOLDERS' EQUITY:		
CAPITAL STOCK OF REXALL DRUG AND CHEMICAL COMPANY—		
Preferred, par value $5.00 each		
Authorized, 3,000,000 shares		
Issued, 2,640,436 shares Series A $2 Cumulative Convertible (aggregate liquidating preference of $132,022,000) in 1966 and 2,630,186 shares* in 1965	$ 13,202,000	$ 13,150,000
Common, par value $1.25 each		
Authorized, 25,000,000 shares		
Issued, 12,778,773 shares in 1966 and 12,397,545 shares* in 1965	15,974,000	15,497,000
CAPITAL IN EXCESS OF PAR VALUE PER ACCOMPANYING STATEMENT	83,760,000	71,902,000
RETAINED EARNINGS PER ACCOMPANYING STATEMENT	107,387,000	101,773,000
(Of the 1966 amount, $8,373,000 is reserved for a 3% Common Stock dividend of 374,198 shares payable February 24, 1967.)		
	220,323,000	202,322,000
Less cost of reacquired Common Stock, 5,413 shares in 1966 and 5,130 shares in 1965	119,000	110,000
TOTAL STOCKHOLDERS' EQUITY	$220,204,000	$202,212,000

**Restated*

See accompanying notes to financial statements.

Notes to Financial Statements

Rexall Drug and Chemical Company and its consolidated subsidiaries

DETAILS OF STATEMENT OF FINANCIAL POSITION

	1966	1965 (restated)
Accounts and notes receivable:		
Trade, including subsidiaries not consolidated	$ 66,858,000	$ 60,626,000
Others	5,934,000	5,434,000
	72,792,000	66,060,000
Less reserve	2,816,000	1,987,000
	$ 69,976,000	$ 64,073,000
Inventories, at lower of cost (principally fifo or average) or market:		
Raw materials and supplies	$ 25,032,000	$ 23,329,000
Work in process	9,934,000	6,914,000
Finished merchandise	72,366,000	62,589,000
	$107,332,000	$ 92,832,000
Properties owned, at cost:		
Land	$ 5,040,000	$ 4,398,000
Buildings and building fixtures	60,416,000	50,782,000
Machinery and equipment	171,522,000	139,691,000
Store fixtures, leaseholds and improvements	8,191,000	8,040,000
Construction in progress	8,376,000	25,030,000
	253,545,000	227,941,000
Less accumulated depreciation	87,913,000	74,169,000
	$165,632,000	$153,772,000
Intangibles, at cost less amortization:		
Excess of investments in businesses purchased over net assets acquired	$ 8,329,000	$ 8,337,000
Patents, licenses and trademarks, etc.	2,640,000	2,812,000
	$ 10,969,000	$ 11,149,000
Long term debt, less current instalments:		
Unsecured notes, 4.042% to 5.75%, due in instalments to 1987	$ 77,209,000	$ 78,259,000
Real estate and other obligations	4,821,000	5,026,000
	$ 82,030,000	$ 83,285,000

BASIS OF CONSOLIDATION

All significant subsidiaries are consolidated. Minority interests in ownership and earnings of companies consolidated are relatively insignificant and have not been shown separately in the accompanying statements. Accounts of foreign subsidiaries are translated into United States dollar equivalents at appropriate yearend exchange rates except for property accounts and related items for which historical exchange rates are used. The unrealized profit or loss resulting from the translations of foreign currencies is included in operations and was not significant in amount.

A summary of assets and liabilities (excluding intercompany accounts) of foreign subsidiaries at December 31 follows:

	1966	1965
Current assets	$37,336,000	$36,245,000
Current liabilities	13,584,000	13,780,000
Working capital	23,752,000	22,465,000
Properties and all other assets	31,864,000	27,832,000
Working capital and all other assets	55,616,000	50,297,000
Long term debt and other deferred liabilities	9,020,000	6,178,000
Net assets of foreign subsidiaries in consolidation	$46,596,000	$44,119,000

Net sales from all operations outside the United States were $75,152,000 in 1966 and $72,303,000 in 1965. Undistributed earnings of foreign subsidiaries included in consolidation were $4,210,000 for 1966 and $6,765,000 for 1965 and aggregated $26,729,000 at December 31, 1966. Dividends of approximately $1,650,000 in 1966 and $700,000 in 1965 were received from foreign subsidiaries. Income taxes which may be incurred upon distribution of earnings of subsidiaries are provided when the distributions are made.

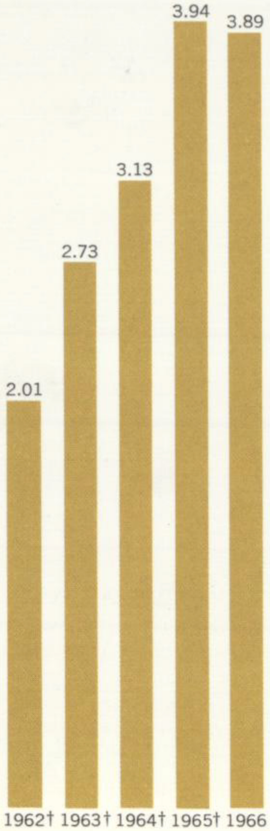
Effective June 30, 1966 an Agreement and Plan of Merger was consummated between Rexall and Thatcher Glass Manufacturing Company, Inc. whereby the outstanding Thatcher Common Stock was converted on a share for share basis into 2,638,286 newly issued shares of Rexall Series A $2 Cumulative Convertible Preferred Stock. Since December 31, 1965 Rexall acquired the net assets or capital stock of the following businesses, not previously accounted for, in exchange for 765,053 newly issued shares of Rexall Common Stock: acquired in 1966—American Gasket and Rubber, Inc., Plasti-Line, Inc.; acquired January 12, 1967—Fiberfil companies. Possible additional shares may be issued relative to the acquisition of one of the companies based upon net earnings of certain future years. These acquisitions and the Thatcher merger have been accounted for as "poolings of interests" and accordingly

Building Today for Growth Tomorrow...

Financial Statements

Cash Flow* Per Share

Adjusted for stock dividends



Source and Application of Funds

	1966	*1965†*
SOURCE:		
Cash flow*	$49,636,000	$49,858,000
Discounted rental obligations under certain leases	13,481,000	
Exercise of stock options	815,000	2,386,000
Proceeds from issuance of stock by Thatcher prior to merger		5,192,000
Increase in long term debt of pooled companies—net		4,443,000
Sale of properties and investments (excluding gain)	2,010,000	3,587,000
Modification of long term debt payment terms		2,344,000
Other, net		1,340,000
TOTAL FUNDS PROVIDED	$65,942,000	$69,150,000
APPLICATION:		
Properties and other assets purchased	$32,850,000	$56,941,000
Properties leased from others	14,145,000	
Dividends paid by Rexall		
Common Stock	3,670,000	3,095,000
Preferred Stock	2,640,000	
Dividends paid by Thatcher prior to merger	1,055,000	2,018,000
Purchase and cancellation of Thatcher Common Stock Warrant	2,000,000	
Costs and expenses of Thatcher merger	703,000	
Other changes in long term debt—net decrease	1,255,000	1,741,000
Working capital increase	7,090,000	5,355,000
Other, net	534,000	
TOTAL FUNDS APPLIED	$65,942,000	$69,150,000

† Restated—see note to financial statements.

* Net earnings plus depreciation and amortization and provision for deferred income taxes.

Statement of Earnings and Retained Earnings

Rexall Drug and Chemical Company and its consolidated subsidiaries

	1966	*1965 (restated)*
INCOME:		
Sales, less returns, allowances and discounts	$483,974,000	$458,141,000
Other income	4,385,000	3,543,000
	488,359,000	461,684,000
COSTS AND EXPENSES:		
Cost of goods sold, excluding depreciation	282,749,000	260,522,000
Selling, distribution, promotional and administrative expenses	137,722,000	125,199,000
Depreciation	19,101,000	14,985,000
Interest on debt and discounted rental obligations under certain leases	6,135,000	4,997,000
Provision for income taxes—		
United States	11,100,000	17,612,000
Foreign	4,500,000	5,700,000
	461,307,000	429,015,000
NET EARNINGS FOR THE YEAR	27,052,000	32,669,000
RETAINED EARNINGS AT THE BEGINNING OF THE YEAR	101,773,000	83,448,000
	128,825,000	116,117,000
DIVIDENDS:		
Cash—		
Rexall Drug and Chemical Company		
Preferred—$1 per share	2,640,000	
Common—30¢ per share	3,670,000	3,095,000
Thatcher Glass Manufacturing Company, Inc., prior to merger	1,055,000	2,018,000
Ralph Wilson Plastics, Inc., prior to acquisition		736,000
Common Stock, 3%, 325,370 shares at $43.25 per share paid in March 1966 and 294,201 shares at $28.875 per share paid in March 1965	14,073,000	8,495,000
	21,438,000	14,344,000
RETAINED EARNINGS AT THE END OF THE YEAR	$107,387,000	$101,773,000

Statement of Capital in Excess of Par Value

	1966	*1965 (restated)*
AT THE BEGINNING OF THE YEAR	$ 71,902,000	$ 62,173,000
Excess of fair value over par value of Common Stock issued as stock dividends	13,666,000	8,127,000
Purchase and cancellation of outstanding Thatcher Common Stock Purchase Warrant as of date of merger	(2,000,000)	
Costs and expenses of Thatcher merger	(703,000)	
Other credits, principally the excess of option prices over par value of Common Stock options exercised	895,000	1,602,000
AT THE END OF THE YEAR	$ 83,760,000	$ 71,902,000

See accompanying notes to financial statements.

GLASS CONTAINERS

FRANKLIN B. POLLOCK,
Vice Chairman of the Board
and Chairman of
Glass Container Group

Roy Arrandale, Exec. V. P.
Research & Engineering

John Pollock, Exec. V.P.
Manufacturing

John McCormick, Vice Pres.
Glass Container Sales

Henry Griffith, Vice Pres.
Plastic Packaging Sales

Thomas Henson, Vice Pres.
Purchasing

John Miller, Vice Pres.
West Coast Sales

Charles Whiteman, Treas.

Jerry Markham, Vice Pres.
Personnel & Ind. Relations

PACKAGING, PROCESSING AND ARCHITECTURAL

DONALD H. BREWER,
President,
Packaging-Processing-
Architectural Group

RALPH WILSON, SR.,
Chairman,
Architectural Division

E. M. Bill Davis, Exec. V. P.
Packaging-Processing

Charles Feltner, Exec. V. P.
Architectural Division

Richard Kwapil, Vice Pres.
G. M.-Foreign; Exec. Contr.

Richard Smith, Vice Pres.
Exec. Controller

Ben Wilson, Vice Pres.
Marketing, Architectural Div.

Richard Vosburgh, Pres.
IMCO Container Co.

Jules Besserman, Pres.
Colorite Plastics Co.

Ralph Wilson, Jr., Pres.
Ralph Wilson Plastics Co.

Jack De Caprio, Pres.
C. T. Film Division

Harry Brooks, Pres.
Plasti-Line Co.

Bobby Dillon, Vice Pres.
Sales, Architectural Div.

Charles Stiassni, Pres.
White Metal Mfg. Co.

Robert Hurst, Pres.
Rex-Cut Products Co.

George Hester, Vice Pres.
Plant Mgr., Wilson Plastics

John Wines, Exec. Contr.
Packaging Group-Europe

Michael Kulik, Pres.
Amer. Gasket & Rubber Co.

Charles Vance, Vice Pres.
Contr., R. Wilson Plastics

Carl Massopust, Vice Pres.
Group Research & Develop.

Dan Anderson, Group Mgr.
Industrial Engineering

PROPRIETARY DRUGS

EDWIN L. RAMSEY, JR.,
President,
Proprietary Drugs Group

John Hart, Vice Pres.
Marketing

Richard Sawyer, Vice Pres.
Finance and Planning

Robert Garrison, Vice Pres.
General Sales Manager

Jerry Beavan, Vice Pres.
Public and Dealer Relations

H. K. Vander Linden, Pres.
Rexall Canada

Walter Clarke, Mang. Dir.
Rexall United Kingdom

John Mellon, Managing Dir.
Rexall South Africa

Otto Bixler, Vice Pres.
Mfg. & Distribution

James Callaghan, Vice Pres.
Special Projects

RETAIL STORES

ROBERT T. BEATTIE,
President,
Retail Stores Group

Charles Falkenhainer, Pres.
Liggett Drug Co.

Joseph Hecht, Pres.
Drug King, Inc.

Samuel Prusky, Pres.
Rexall Realty Corp.

SERVICES

CHARLES G. ELLINGTON,
President,
Services Group and
President, Bonus Gifts

Howard Wilson
Assistant to President

Robert Hitchcock, Director
Operations

Murray Greer, Director
Merchandising Services

Dale Bevard, Controller

Operating Management

People who understand Rexall's management organization have referred to Rexall as the company with nine presidents. The chief executive officer of each of Rexall's eight operating groups is a president in his own right. As a specialist in his field with general management experience, he has profit responsibility and, therefore, total responsibility. The corporate staff supports his needs. This autonomy provides Rexall with the flexibility as well as the capability to act quickly as conditions change and opportunities arise. These men have organized their own operations on a similar basis. In this way, the individual at each layer of management is a true manager, and his success is shown on the report card of profits and return on investment.

CHEMICALS

RALPH M. KNIGHT,
President,
Chemical Group

Richard Davis, Exec. V. P.

Carl Setterstrom, Vice Pres.
Gen. Mgr.-Polyolefins

George Buttle, Pres.
Wilson Products Co.

Blaine Kuist, Vice Pres.
Gen. Mgr.-Styrenic Polymers

Joseph Hines, Pres.
Thompson Industries

Michael Erchak, Jr., V. P.
Research & Development

William Chadbourne, Pres.
Fiberfil

George Mefferd, Vice Pres.
Financial

Elwood Phares II, Admin. V. P.
Chemical Group

DIRECT SELLING AND HOME DECORATIONS

HAMER F. WILSON,
President,
Direct Selling and
Home Decorations Group

Norbert Baillen, Pres.
Tupperware Eur. & Africa

Joseph Hara, Pres.
Tupperware U. S. A.

John Ansley, Pres.
Tupperware Manufacturing

Harold Empey, Pres.
Tupperware Pacific

Richard Holstein, Exec. V. P.
Syroco

Gary McDonald, Pres.
Vanda Cosmetics

Arthur Ventrone, Vice Pres.
Group Controller

ETHICAL DRUGS

JACOB W. STUTZMAN, M. D.,
Chairman,
Ethical Group

Norberto Berkhoff, Dir. Gen.
Riker Argentina

John Preiss, Mang. Dir.
Riker Australia

John Calderbank, Pres.
Riker Canada

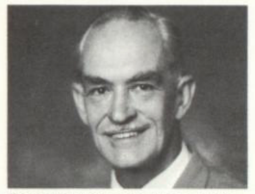
Jean Costa, Dir. Gen.
Riker France

Dietrich Kettelhack, Mg. Dir.
Riker Germany

Kanichiro Hosoi, Senmu
Riker Japan

Marcel Revesz, Pres.
Riker Mexico

Katherine White, Mang. Dir.
Riker New Zealand


Ronald Holmes, Mang. Dir.
Riker South Africa

John Lumley, Mang. Dir.
Riker United Kingdom

Charles Adams, Pres.
Riker U. S. A.

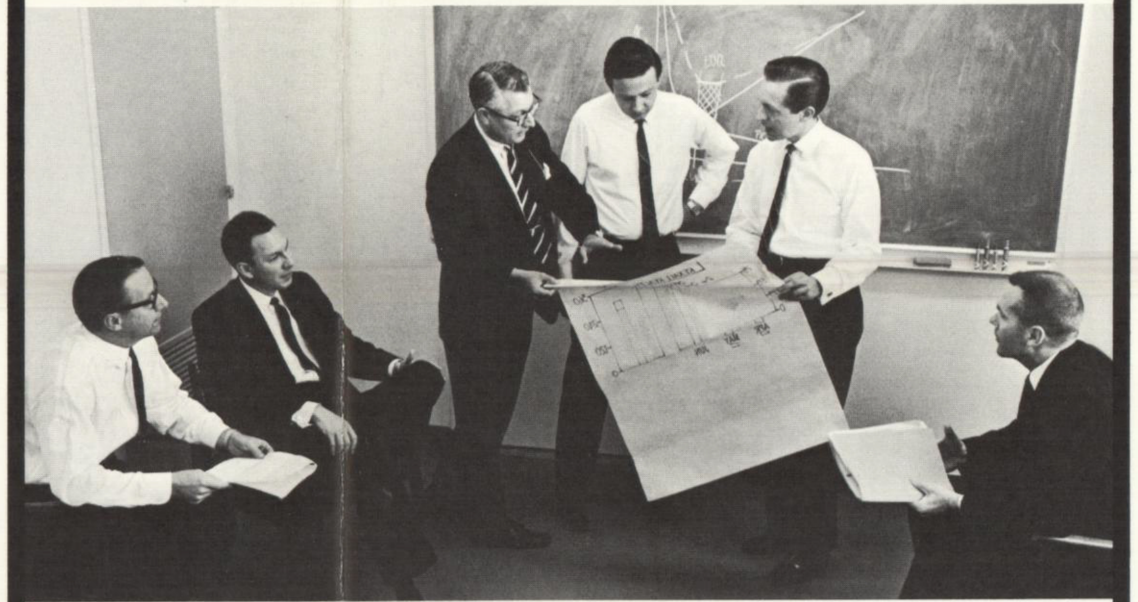
William Wise
Group Patent Counsel

Dr. George Cronheim
Group Tech. Liaison

Henry Janowiec
Group Controller

An Experienced Support Staff

Working with the philosophy of operational autonomy, the corporate staff has a dual role. First, to support operating divisions with techniques, concepts and experience that might not be available within each division. Second, to think ahead in planning, seeking and evaluating opportunities for the future. Small in number, but experienced as general managers, the three corporate vice presidents and their specialized staffs provide the unity that enables diversified operations to function harmoniously.



PROFIT PLANNING AND CONTROLS: George Daly, Corporate Vice President (3rd from left) with (l-r) George Bradd, Director, Internal Audit; Donald Best, Special Assistant; Gary Cowan, Director, Financial Analysis & Review; Helmut Goerling, Director Technical Services and William Palmer, Director, Corporate Accounting.

LONG RANGE PLANNING, TREASURY AND LEGAL: Fred Hallett, Vice President and Treasurer and Russell Bolton, Jr., Vice President and General Counsel (4th and 5th from left) with (l-r) Robert Whipple, Patent Counsel and Assistant Treasurers Robert Musser, Ted Simpson and Thomas Mullen.

ORGANIZATION AND MANAGEMENT DEVELOPMENT: C. G. Ellington, Corporate Vice President (2nd from right) with Corporate Directors (l-r) Freeman Gosden Jr., Corporate Communications; Charles Elwell, Management Development; Herschel Phillips, Labor Relations; and M. C. Strittmatter, Personnel Administration.

PROFIT PLANNING AND CONTROLS

George J. Daly, Vice President

As business becomes more complex, managements are depending more and more upon effective financial analysis and control systems to help guide them. Such systems require the establishment of realistic short and long range objectives and plans, performance comparisons and prompt reporting of variances from plan to permit corrective action. Each of Rexall's more than 80 profit centers has its own financial analysis and control system, designed to meet its specialized needs and at the same time provide timely information and control to corporate management. Corporate Profit Planning and Controls assists in the development of these systems, is responsible for coordinating them into a total company plan and, on a continuing basis, reviewing and analyzing operating plans, results and alternatives. Assistance in developing programs for improved profit and return on investment is provided operating managers by Corporate specialists in operations research, manufacturing services, finance, and computer technology.

LONG RANGE PLANNING AND MONEY MANAGEMENT

Roland F. Hallett, Vice President

Corporate long range planning objectives center around the expansion of existing operations and technologies into new geographic areas, the improvement of capacities, and the increase in the efficiency of present operations. Parallel is the development of compatible new businesses that support existing activities. Some of these are self generated such as Vanda direct selling cosmetics, with the use of existing management and facilities. Others have been acquired largely through the use of stock, bringing in new talents and techniques. These internal expansions, as well as the growth of our existing operations, are financed largely through our cash flow, and with the judicious use of long-term credit. Supporting these and other Company operations are financial, legal and patent specialists that help Rexall maintain its financial and proprietary position worldwide.

ORGANIZATION AND MANAGEMENT DEVELOPMENT

Charles G. Ellington, Vice President

People are your Company's most important asset. Products, processes, services and marketing concepts are only as good as the people who develop, produce and market them. Rexall's broad objective is to insure that its human resources are utilized effectively, while at the same time appreciating in value. Rexall's appraisal and inventory programs indicate the effective utilization of people. Management Development programs provide a continual upgrading of managerial capability. Benefit programs are balanced to provide basic security without destroying individual self-reliance. Where new skills are required newly organized centralized recruitment is utilized. More important, Rexall continues to attract and hold superior people because its continuing growth combined with autonomy of management offers more opportunity and greater responsibility.

Building Today for Growth Tomorrow...

An Active Board of Directors

The Board of Directors of your Company is a blend of senior management personnel and outstanding business leaders. The men serving as outside directors include some of the finest minds and experience in the business world. Your management utilizes their talents throughout the year. Members of the Executive Committee are good examples. Ernest Breech, Chairman of TWA and former Chairman of Ford, also heads your Audit Committee and helped develop our profit plan concept. General Alfred Gruenther heads our Board Personnel Committee with the responsibility to personally know and evaluate key people throughout the Company. Holmes Tuttle, who established some of the country's leading automobile agencies, and William Gossett, president-elect of The American Bar Association, provide invaluable experience and judgment. These gentlemen and John Cornelius, Thatcher Lane and Stanley Rumbough, our other distinguished outside directors, are serving your company with dedication.

EXECUTIVE COMMITTEE: l-r, William T. Gossett, Ernest R. Breech, Justin Dart, *Chairman*, General Alfred M. Gruenther and Holmes Tuttle.

AUDIT COMMITTEE: l-r, Holmes Tuttle, General Alfred M. Gruenther and Ernest R. Breech, *Chairman*.

SALARY AND INCENTIVE COMPENSATION COMMITTEE: l-r, Ernest R. Breech, *Chairman*, William T. Gossett and General Alfred M. Gruenther.

EXECUTIVE PERSONNEL COMMITTEE: l-r, Ernest R. Breech, John C. Cornelius and General Alfred M. Gruenther, *Chairman*.

STOCK OPTION COMMITTEE: Dr. George Maison, substituting for F. Thatcher Lane, with Holmes Tuttle, *Chairman*, and Stanley Rumbough, Jr.

BOARD OF DIRECTORS AND OFFICERS

NORBERT BAILLEN
Vice President
ROBERT T. BEATTIE
Vice President
RUSSELL K. BOLTON, JR.
Vice President and General Counsel
ERNEST R. BREECH
Director
DONALD H. BREWER
Vice President and Director
JOHN C. CORNELIUS
Director
GEORGE J. DALY
Vice President and Director
JUSTIN DART
Chairman of the Board and President
CHARLES G. ELLINGTON
Vice President
WILLIAM T. GOSSETT
Director
GENERAL ALFRED M. GRUENTHER
Director
ROLAND F. HALLETT
Vice President, Treasurer and Director
RALPH M. KNIGHT
Vice President and Director
F. THATCHER LANE
Director
GEORGE L. MAISON, M.D.
Director
NAD A. PETERSON
Secretary
FRANKLIN B. POLLOCK
Vice Chairman of the Board
EDWIN L. RAMSEY, JR.
Vice President
STANLEY M. RUMBOUGH, JR.
Director
JACOB W. STUTZMAN, M.D.
Vice President and Director
HOLMES TUTTLE
Director
HAMER F. WILSON
Vice President and Director
RALPH WILSON
Director

GLASS CONTAINERS

glass containers:
THATCHER GLASS MANUFACTURING COMPANY
New York, New York •
Elmira, New York
Lawrenceburg, Indiana
Saugus, California
Streator, Illinois
Tampa, Florida
Toledo, Ohio
Wharton, New Jersey

plastic tubes, closures, seals:
THATCHER GLASS MANUFACTURING COMPANY
Muscatine, Iowa

PACKAGING, PROCESSING AND ARCHITECTURAL

PACKAGING

plastic bottles:
IMCO CONTAINER COMPANY†
Kansas City, Missouri
Baltimore, Maryland
Belvidere, New Jersey
Plainfield, New Jersey
Goleta, California
Harrisonburg, Virginia
Jeffersonville, Indiana
Los Angeles, California

IMCO CONTAINER (CANADA) LTD.†
Cooksville, Ontario, Canada

IMCO AUSTRALIA
Ferntree Gully, Australia

REXPAK ENGLAND
Golborne, England

S.E.P.
Ghent, Belgium

REXPAK SCANDINAVIA
Copenhagen, Denmark

LITOPLAS
Madrid, Spain

B.E.P.S.A.
Barcelona, Spain

metal tubes:
WHITE METAL MANUFACTURING COMPANY
Hawthorne, New Jersey
Indianapolis, Indiana

closures:
REXPAK
Farnumsville, Massachusetts

packaging film:
CONSOLIDATED THERMOPLASTICS FILM DIVISION†
Chippewa Falls, Wisconsin
Santa Ana, California
Woonsocket, Rhode Island

B.E.P.S.A.
Barcelona, Spain

aerosol gaskets:
AMERICAN GASKET AND RUBBER COMPANY
Schiller Park, Illinois

PROCESSING

garden hose, plastic blending:
COLORITE PLASTICS COMPANY
Paterson, New Jersey
Santa Ana, California

specialty extrusions:
COLORITE PLASTICS COMPANY
Totowa, New Jersey

surgical and recreational products:
SEAMLESS RUBBER COMPANY
New Haven, Connecticut
Valley Park, Missouri

abrasives:
REX-CUT PRODUCTS COMPANY
Fall River, Massachusetts

outdoor trademark signs:
PLASTI-LINE COMPANY
Knoxville, Tennessee

ARCHITECTURAL

decorative laminates, laminated art and wallboard:
RALPH WILSON PLASTICS COMPANY
Temple, Texas
Los Angeles, California
Chicago, Illinois
West Nyack, New York
Atlanta, Georgia
Miami, Florida
San Francisco, California

vinyl wall coverings:
FABROVIN
Paterson, New Jersey
Beverly Hills, California •

PROPRIETARY DRUGS

Rexall proprietary drugs, cosmetics, vitamins and sundries:
REXALL DRUG COMPANY
St. Louis, Missouri

REXALL DRUG COMPANY, LTD.
Cooksville, Ontario, Canada

REXALL DRUG COMPANY, S.A. (PTY.) LTD.
Port Elizabeth, South Africa
Johannesburg, South Africa •

REXALL DRUG COMPANY-ENGLAND
Loughborough, England
Dublin, Ireland

private formula drugs, cosmetics, vitamins:
CARNEGIE LABORATORIES
St. Louis, Missouri

RETAIL STORES

company owned stores:
DRUG KING, INC.
20 West Coast Stores

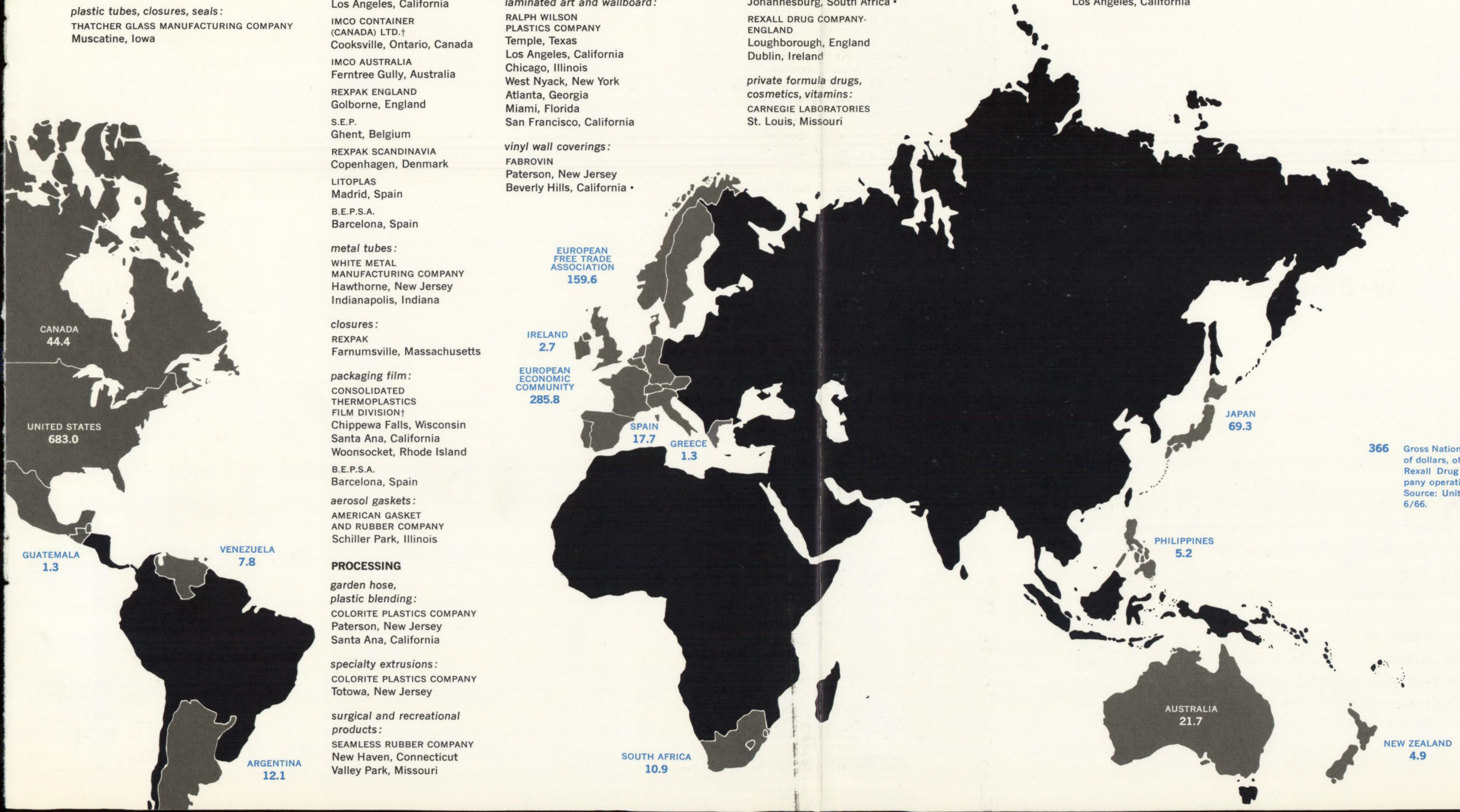
GALES COFFEE SHOPS
10 West Coast Shops

LIGGETT DRUG COMPANY
74 East Coast Stores

store financing:
REXALL REALTY CORPORATION
Los Angeles, California

SERVICES

continuity gift program:
BONUS GIFTS
Los Angeles, California •
New York, New York •
Chicago, Illinois •
Atlanta, Georgia •



LEGEND

366 Gross National Product, in billions of dollars, of countries containing Rexall Drug and Chemical Company operations.
Source: United Nations Statistics 6/66.

Building Today for Growth Tomorrow...

Penetrating World Markets

Your Company's goal is to achieve the position of a truly international company. As this objective is approached, distribution is broadened, sales potentials are increased and with research and development costs spread over a large base, profit potentials are raised. Rexall also gains a greater exposure to new technologies abroad and, through our standardization program, Rexall develops a capability to provide customers with uniform high quality production worldwide. As Rexall's international stature increases, the Company becomes better known to its customers and respected by governments and trade associations. As a result, an increasingly favorable climate in world markets is available for the introduction of new unique products, processes or concepts, developed or acquired.

CHEMICALS

polyethylene, polypropylene, ethylene and propylene:

REXALL CHEMICAL COMPANY
Odessa, Texas**

petrochemical research:

REXALL CHEMICAL COMPANY
Paramus, New Jersey

color concentrates:

WILSON PRODUCTS COMPANY
Neshanic, New Jersey
Assesse, Belgium

polystyrene:

REXALL CHEMICAL COMPANY
Holyoke, Massachusetts
Santa Ana, California

THOMPSON INDUSTRIES COMPANY
Ludlow, Massachusetts

ABS (acrylonitrile-butadiene-styrene):

REXALL CHEMICAL COMPANY
Joliet, Illinois*

fiber reinforced thermoplastics:

FIBERFIL
Evansville, Indiana
Warsaw, Indiana

oriented sheet:

THOMPSON INDUSTRIES COMPANY
Ludlow, Massachusetts

sheet styrene containers:

THOMPSON INDUSTRIES COMPANY
Ludlow, Massachusetts
Santa Ana, California

foam containers:

THOMPSON INDUSTRIES COMPANY
Phoenix, Arizona
Stone Mountain, Georgia
Monrovia, California
Red Bank, New Jersey
South San Francisco, California
New Shrewsbury, New Jersey
Solon, Ohio
Alexandria, Virginia
Shreveport, Louisiana

CAMIRA, N. V. (50%)
Veenendaal, Netherlands

DIRECT SELLING AND HOME DECORATIONS

TUPPERWARE®

Tupperware® food storage and serving, kitchen aids, toys:

TUPPERWARE COMPANY
No. Smithfield, Rhode Island
Blackstone, Massachusetts

TUPPERWARE HOME PARTIES
Orlando, Florida •

TUPPERWARE HOME PARTIES, LTD.
Cowansville, Quebec, Canada
Toronto, Ontario, Canada •

TUPPERWARE LATIN AMERICA
Lerma, Mexico
Mexico City, D. F. •
Lima, Peru •
Caracas, Venezuela •

TUPPERWARE EUROPE
Paris, France •
Aalst, Belgium
Vienna, Austria •
Brussels, Belgium •
Frankfurt/Main, Germany •
Athens, Greece*
Milan, Italy•
Amsterdam, Netherlands •
Lisbon, Portugal •
Copenhagen, Denmark •
Madrid, Spain*
Geneva, Switzerland •

TUPPERWARE ENGLAND
London, England •
Wigan, England

TUPPERWARE SOUTH AFRICA
Capetown, South Africa
Nairobi, East Africa •

TUPPERWARE MIDDLE EAST
Beirut, Lebanon •
Al Kuwait, Kuwait •
Amman, Jordan •

TUPPERWARE AUSTRALIA (PTY.) LTD.
Ferntree Gully, Australia
Melbourne, Australia •

TUPPERWARE JAPAN
Tokyo, Japan •
Okazaki, Japan

TUPPERWARE PHILIPPINES
Makati Rizal, Philippines •

TUPPERWARE HONG KONG
Kowloon, Hong Kong •

mold manufacturing:

TUPCO
Auburn, Massachusetts

SAREX
Geneva, Switzerland

DIECRAFT AUSTRALIA
Melbourne, Australia

VANDA

Direct Selling Cosmetics:

VANDA COSMETICS COMPANY
Orlando, Florida •

SYROCO

decorative accessories, furniture carvings, premiums:

SYROCO
Syracuse, New York
Mapleville, Rhode Island
New York, New York •

ETHICAL DRUGS

Riker broncholytics, skeletal muscle antispasmodics, hypotensives, appetite suppressants, analgesics:

RIKER LABORATORIES
Northridge, California

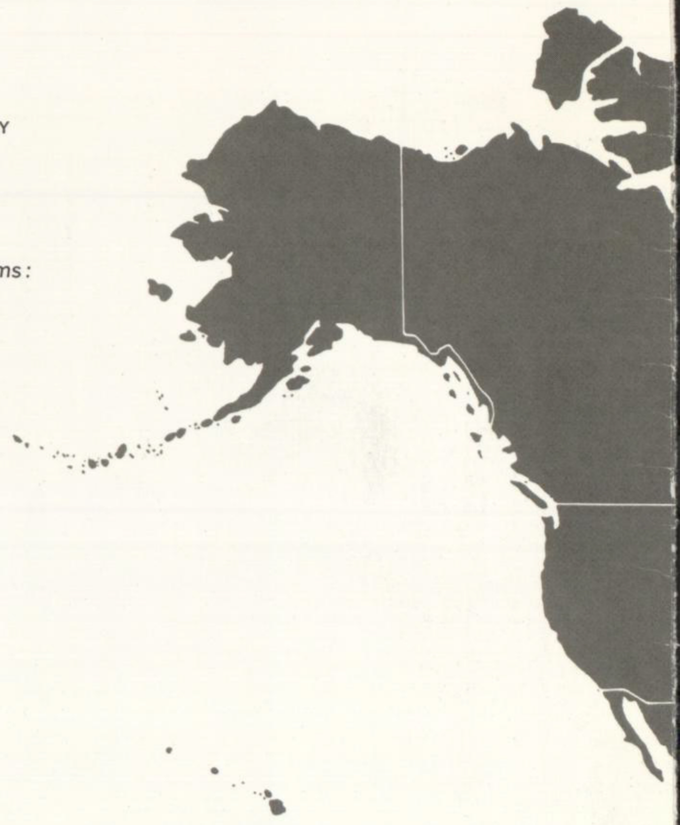
RIKER PHARMACEUTICAL COMPANY, LTD.
Cooksville, Ontario, Canada

RIKER LABORATORIES
Loughborough, England
Welwyn Garden City, England

RIKER LABORATORIES AFRICA (PTY.) LTD.
Observatory Cape, South Africa

RIKER LABORATORIES AUSTRALIA (PTY.) LTD.
Crows Nest, Australia
Thornleigh, N.S.W., Australia

RIKER LABORATORIES, (N.Z.) LTD.
Wellington, New Zealand •



RIKER-EVANSTON ARGENTINA S.A.C.I.yF.
Buenos Aires, Argentina

KETTELHACK-RIKER PHARMA GmbH
Borken, West Germany

RIKER S.A. DE C.V.
Mexico City, Mexico

LABORATORIES MEDIAL—RIKER, S.A.
Lyon, France

‡MARUPI-RIKER K.K.
Osaka, Japan

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*Under construction
**Joint venture with El Paso Products Company
†Divisions or subsidiaries of Consolidated Thermoplastics Company, jointly owned with El Paso Products Company
•Sales offices
‡Joint venture with Dainippon Pharmaceutical Company

GLASS CONTAINERS

Automated disposable bottle plant, New Jersey . . . Doubled capacity for flint or amber containers, Florida . . . Capacity expansion, Indiana . . . Increased warehousing, Illinois.

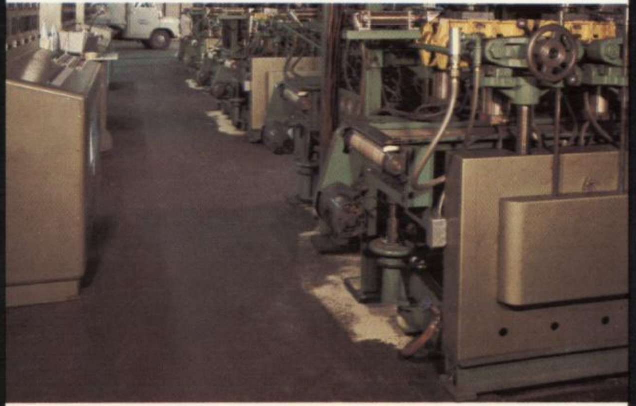
Florida — Expansion for clear and amber glass

New Jersey — Automated beer bottle manufacture

Indiana — Amber glass container capacity increase

PACKAGING, PROCESSING AND ARCHITECTURAL

Plastic bottle plant in Denmark and expansion in Spain . . . Plastic film manufacture and conversion in Spain . . . Expanded film capacity in midwest . . . Expanded laminating capacity and efficiencies, Texas . . . New vinyl wall covering operations . . . Custom tube extrusion in Belgium . . . New outdoor sign headquarters and plant, Tennessee . . . Aerosol gaskets capability in Belgium.


Denmark — Blow molding extended into 7th country

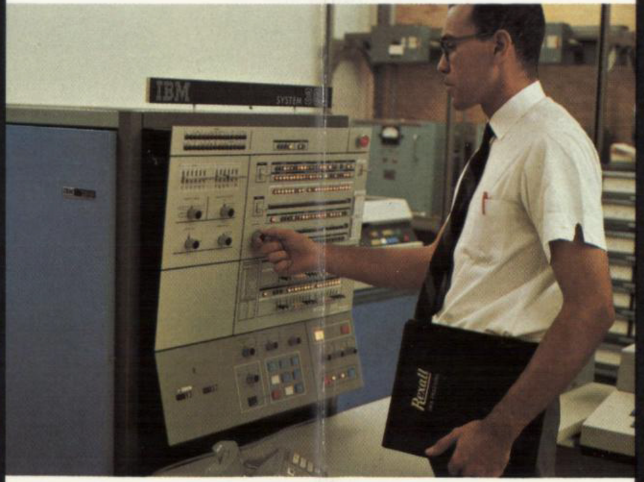
Tennessee — Hqtrs. and plant for trademark signs

Spain — New film, converting and printing plant

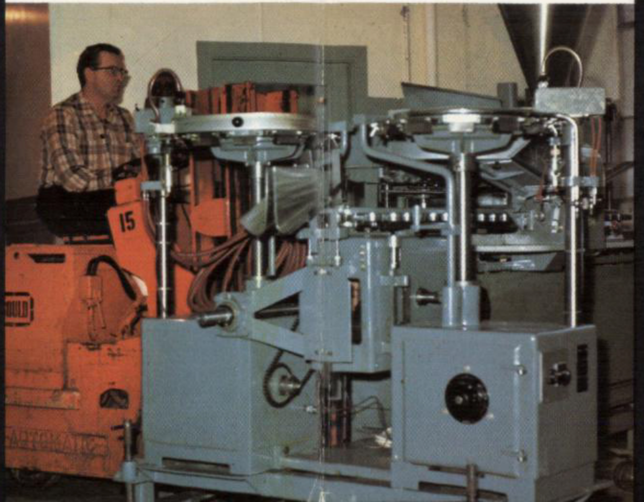
PROPRIETARY DRUGS

New warehousing facilities in Missouri and Texas . . . Increased filling and handling machine systems, Missouri . . . Order servicing and inventory control integrated systems, California, Oregon, Texas, Missouri, Ohio, Illinois, Maryland, Massachusetts and Georgia.

Missouri — Central drug warehousing



California — "360" network increases efficiencies



Missouri — Increased tube filling capacity

RETAIL STORES

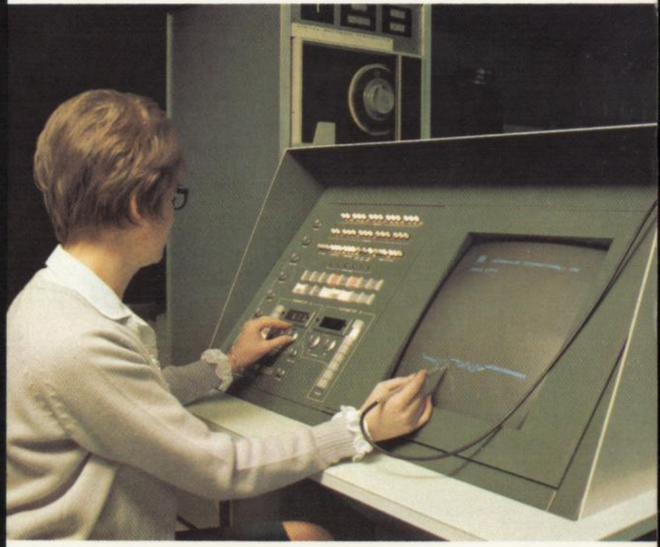
New store in California . . . New warehousing, Florida . . . New agency group, Washington, D.C.

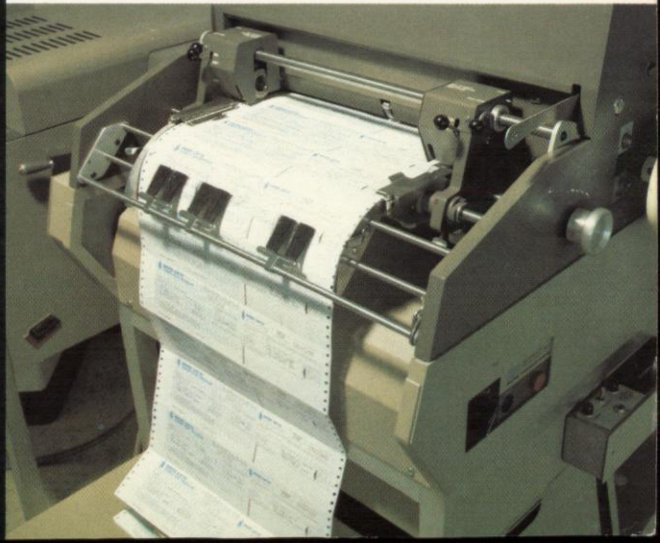
Cosmetics
Toiletries
California — Shopping center expansion

Florida — Warehouse expansion for Southeast

SERVICES

Bonus Gifts coupon program start-up . . . Development of data processing, transmission and storage systems.


California — Bonus Gifts data conversion pilot


California — Bonus Gifts certificate issuing operation

Building Today for Growth Tomorrow...

Investing in New Facilities and New Ventures

With an unusual number of opportunities available, 1966 start-up expenses in both new facilities and new ventures were the most extensive in the Company's history. Activities acquired are being digested and converted from short range positions to long range potentials. With new markets opening geographically, expansion was essential to maintain and hopefully increase our share of business. Over 30 new facilities were either built or expanded worldwide during the year. With part of these major factors behind us, it is expected that the fruits of building today for growth tomorrow will become apparent.

CHEMICALS

Polyethylene expansion toward 350 million lbs./year... Ethylene and propylene expansion toward 500 million lbs./year... Addition to R&D Center... New foam cup plants in Illinois, Louisiana, Georgia and Arizona.. .Cold cup and meat tray facility in California... Acrylonitrile-butadiene-styrene plant, Illinois... Expanded color concentrate research and manufacturing facilities in New Jersey... Fiberfil, reinforced thermoplastics.

New Jersey—Expanded R&D and marketing center

Texas—Polyethylene addition

Illinois—Foam cup facility

DIRECT SELLING AND HOME DECORATIONS

Vanda direct selling cosmetics start-up... Tupperware plants in Belgium, Spain, Greece and Mexico... Mold manufacturing in Massachusetts.

Belgium—Tupperware plant in larger quarters

Mexico—Tupperware for Latin America

Massachusetts—For molds—new tool and die center

ETHICAL DRUGS

New research facility, Australia... Manufacturing plant in Germany... New manufacturing facility in Mexico and addition to Riker S.A. de C.V. in Mexico ... Expansion of United Kingdom manufacturing.

Germany—New pharmaceutical plant

Australia—Nation's largest private research facility

Mexico—New facilities for Riker-Mexico

GLASS CONTAINERS

High-strength glass broadening the design spectrum

Thin wall glass containers providing weight reduction and cost advantages

Techniques for bulk handling of finished containers

Linerless plastic closures

PACKAGING, PROCESSING AND ARCHITECTURAL

Remote control activated variable message signs for advertising, business, traffic and education

Design correlations in plastic of furniture and interiors achieving the decoration and realism of traditional materials

Highly decorative, durable and washable polyvinyl wall coverings

Insulating nail gaskets for weather-proofing in construction

PROPRIETARY DRUGS

Quicker and more effective methods of application of proprietary drugs

High turnover — low inventory techniques for independent druggists

Data processing systems providing real-time nationwide inventory control

Adapting conventional drug products to new concepts in packaging and dispensing

RETAIL STORES

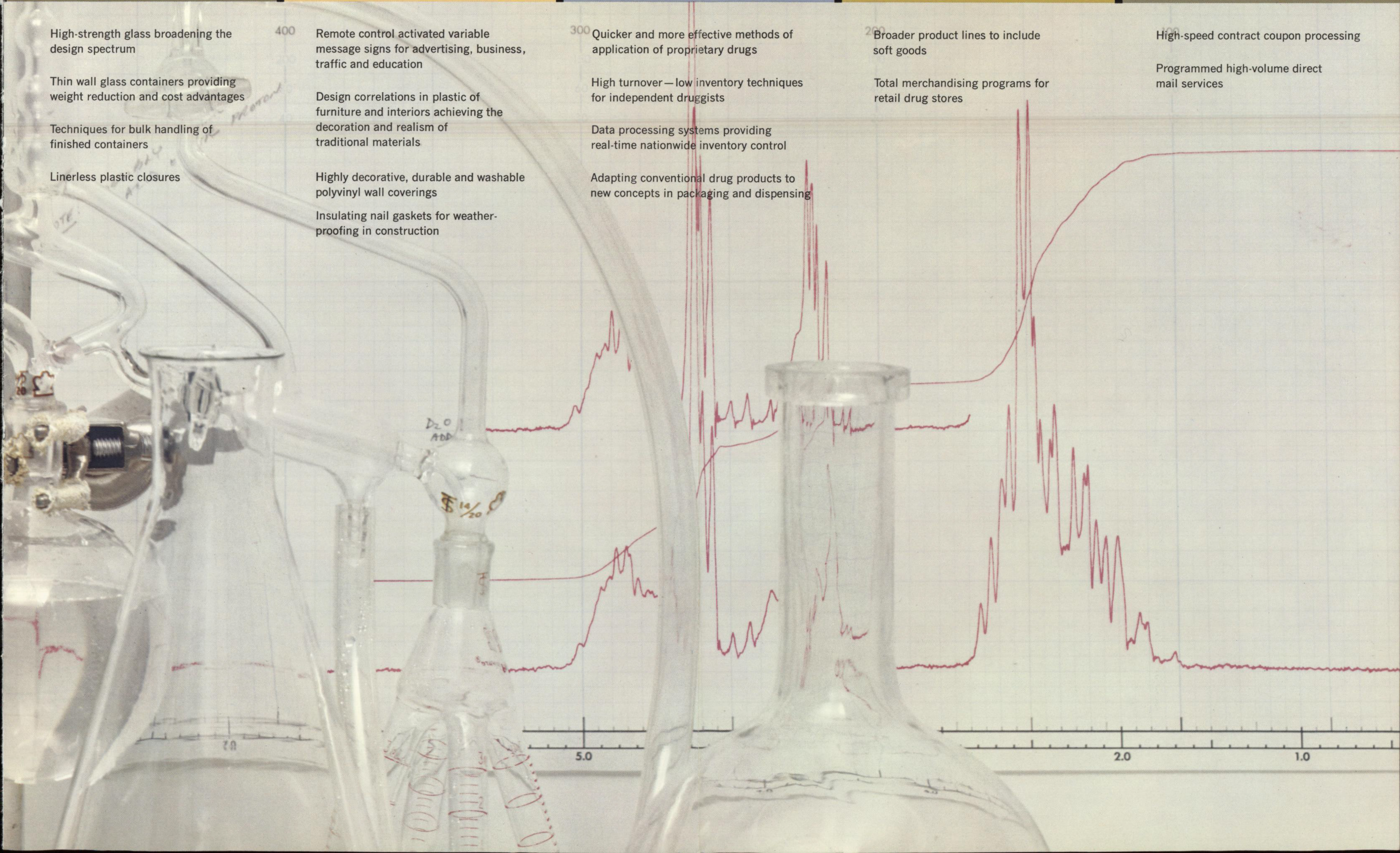
Broader product lines to include soft goods

Total merchandising programs for retail drug stores

SERVICES

High-speed contract coupon processing

Programmed high-volume direct mail services



Building Today for Growth Tomorrow...

Search and Research

Shown on this page to the limit of prudent disclosure are your Company's basic search, research and development directions in the United States and abroad. The most significant areas of concentration are those that provide unique products, processes, services and marketing concepts to large market potentials. In petrochemicals, new resins are under development to replace traditional materials with unlimited applications. Research efforts in cosmetics, housewares and architectural products for the home provide product lines with mass appeal. In ethical drugs, Riker's three international research centers facilitate both search and research where specialization is in products used repeatedly to treat chronic symptoms prevalent in relatively large segments of the population. In your Company, research plays its most vital role in chemicals and ethical drugs. In ethical drugs, Riker spends 12% of sales on research against a pharmaceutical industry average of 8%. In petrochemicals, Company research equals approximately 6.5% of sales compared to a chemical industry average of about 3%.

CHEMICALS

Fiber polymers with superior wear, dyeability and resistance for outdoor and indoor textiles

Elastomeric polymers to improve aging and wear-resistance in tires

New thermoplastics for replacement of die cast and decorative plated metals

Advanced polymer packaging materials with high clarity and strength

New thermoplastics of greater dimensional and thermal stability for structural applications in auto, appliance, furniture and construction industries

DIRECT SELLING AND HOME DECORATIONS

Functionally improved and appealing food containers

New international markets for Tupperware

Expansion of door to door cosmetics internationally

Educational toys from plastics

Unique kitchen aids and table service products

Introducing Syroco home decorations abroad

Syroco table and floor accessories

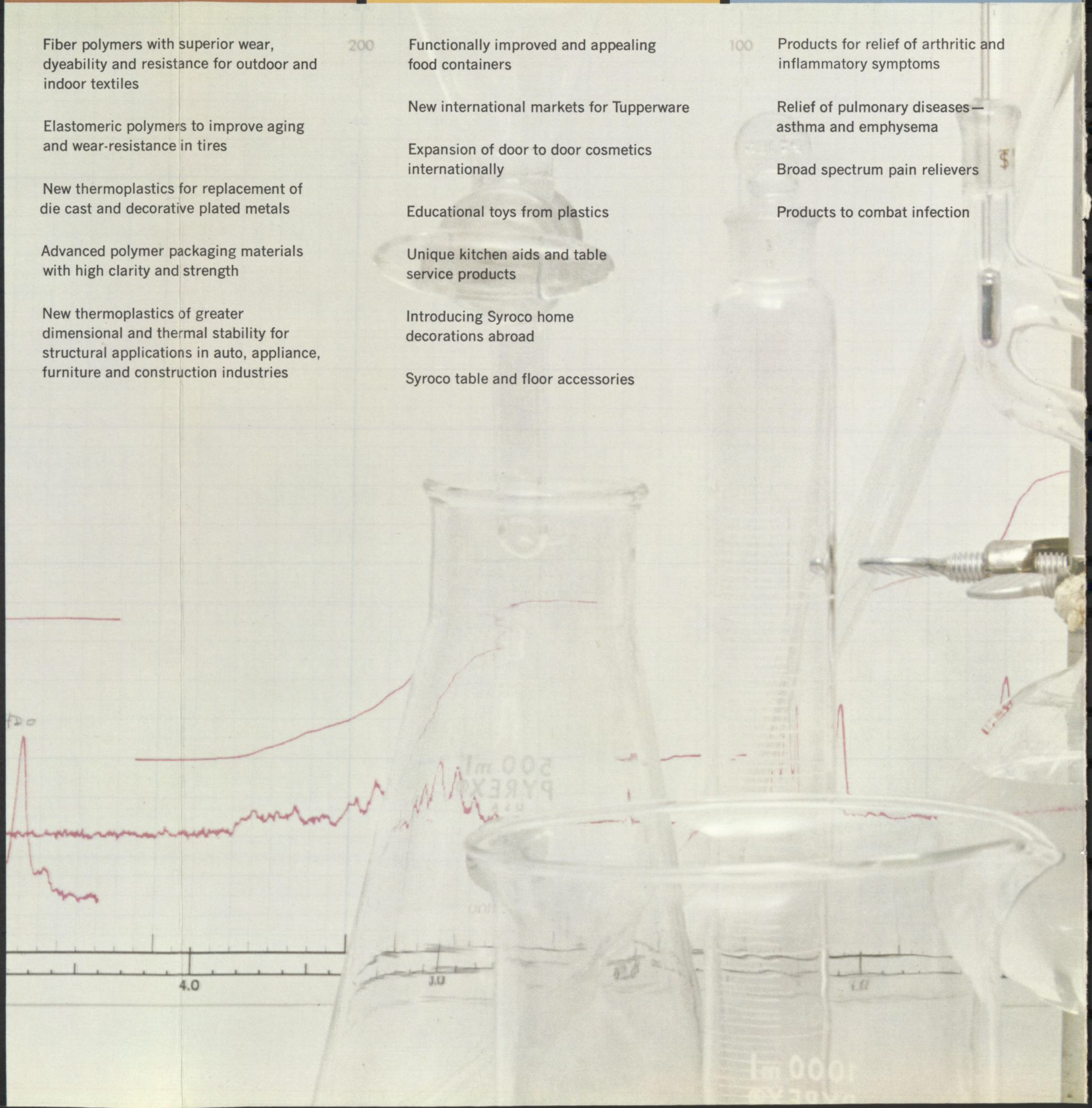
ETHICAL DRUGS

Products for relief of arthritic and inflammatory symptoms

Relief of pulmonary diseases—asthma and emphysema

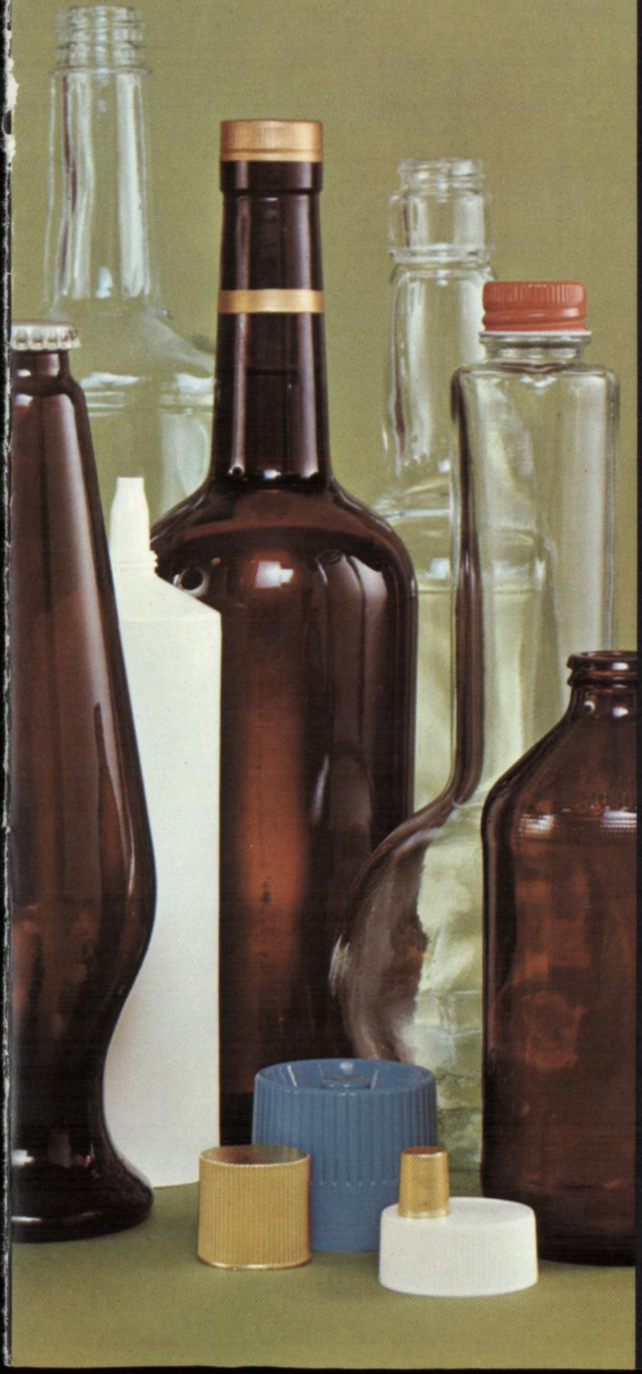
Broad spectrum pain relievers

Products to combat infection



GLASS CONTAINERS

glass containers



PACKAGING, PROCESSING AND ARCHITECTURAL

plastic bottles
metal tubes
closures
packaging film
plastic tubes
seals
plastic vials
garden hose
plastic blending
specialty extrusions
surgical products
recreational products
cotton first aid products
abrasives
decorative laminates
wallboard
vinyl wall coverings
outdoor trademark signs
aerosol gaskets

Plymouth
CHRYSLER
IMPERIAL
Coca-Cola
LINCOLN
OUTDOOR PLASTIC SIGNS

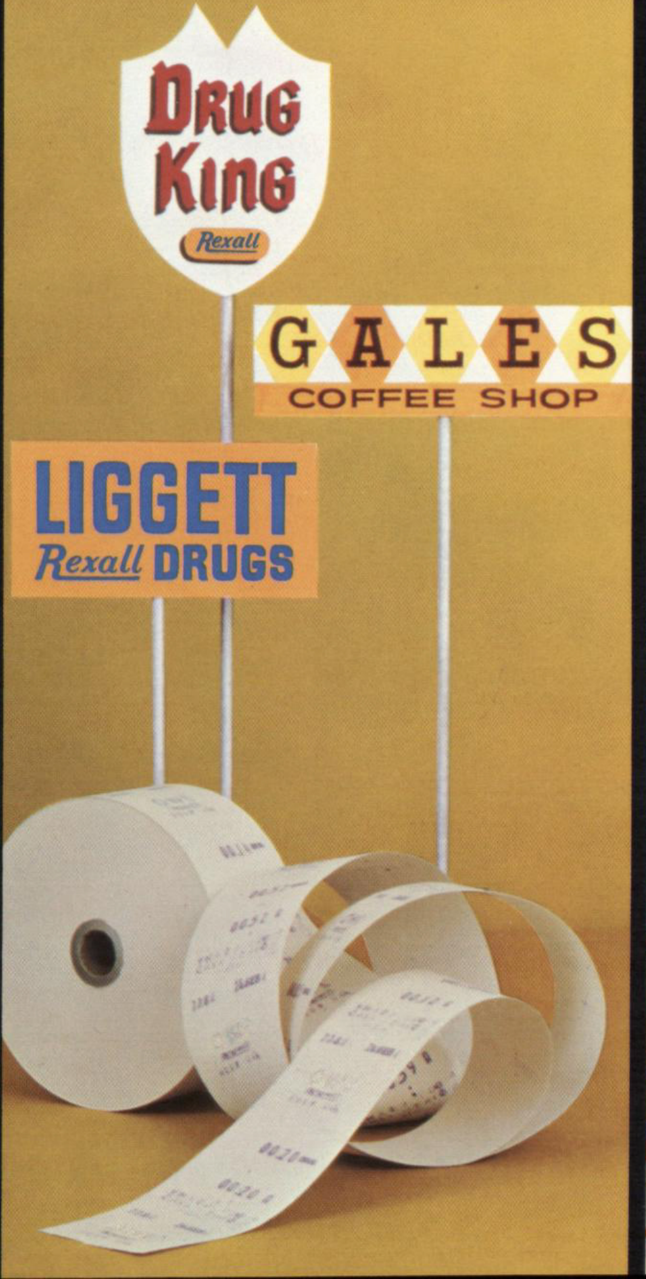
PROPRIETARY DRUGS

proprietary drugs
cosmetics
vitamins
sundries

Rexall
HOUSEHOLD GERMICIDE
SUPER PLENAMINS
SUPER ANAPAC
POISON IVY SPRAY
FIRST-AID SPRAY
MARVALOV
SET ME STRAIGHT
Flower Drum

RETAIL STORES

company owned stores
agency stores


DRUG KING
Rexall
GALES
COFFEE SHOP
LIGGETT
Rexall DRUGS

SERVICES

Bonus Gifts
(brand name
products in
southeastern U. S.
market test,
fall 1967, carrying
Bonus Gifts coupons)

Chase & Sanborn
Royal
Swan
MR CHIPS
HAWAIIAN PUNCH
BLUE BONNET
CUT-RITE PLASTIC WRAP
Confidets
Soilax
Coke
Lay's
FRESCA
Pillsbury's BEST
Aunt Jemima
Borden's Whipped POTATOES
Fritos
La Choy
SPAM
COMET RICE
finish
Double Dutch
Dinty Moore Beef Stew
Ken-L Ration
CAP'N CRUNCH
EUPHRATES
K2r
Surf
Hormel
Colony
Scotties

Building Today for Growth Tomorrow...

Creating Unique Products, Processes and Services

To increase share of market in growth industries the Company has strived to develop advantages in terms of product, process, service or marketing differences. Product differences include: Tupperware's unique product line; Colorite's combination of a plastic and rubber hose; Riker's metered dose aerosol; and Syroco's decorative wall accessories. Rexall Chemical's processes for polyethylene, polypropylene, polystyrene and abs as well as IMCO's bottle making processes are unique. Bonus Gifts' product coupons exchangeable for trading stamps or cash and Plasti-Line's nationwide sign program both provide new service concepts. Original marketing concepts developed over the years range from Tupperware home parties to Rexall's original 1¢ Sale.

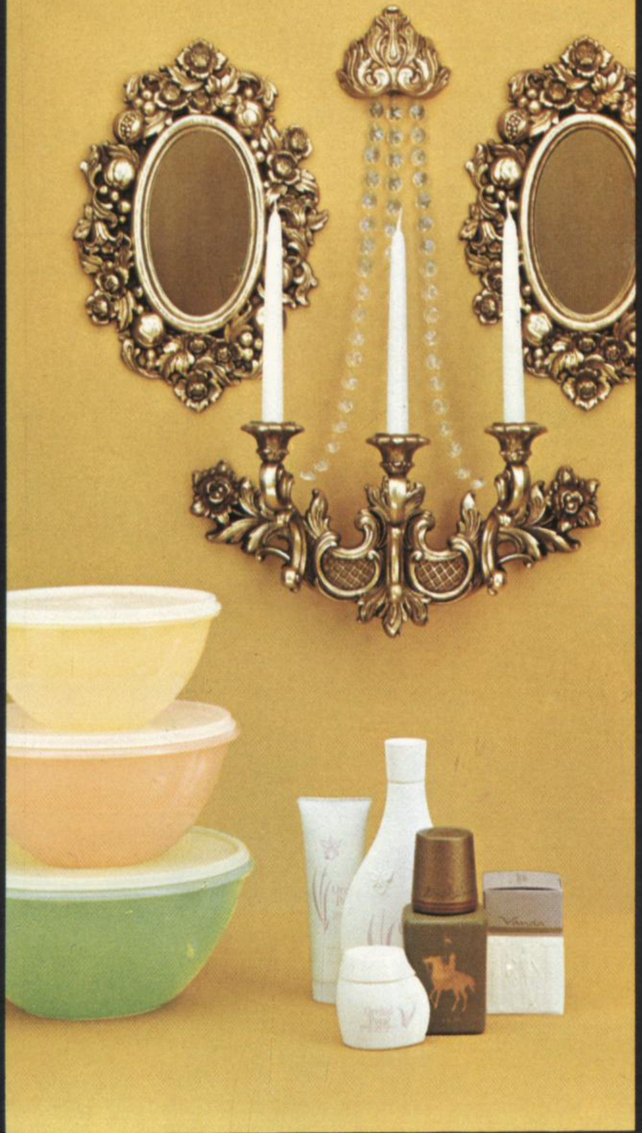
CHEMICALS

- polyethylene
- polypropylene
- ethylene
- propylene
- color concentrates
- polystyrene
- oriented sheet
- vacuum formed containers
- abs (acrylonitrile-butadiene-styrene)
- foam containers
- fiber reinforced thermoplastics

styrocup
the miracle
HOT OR COLD
THOMPSON INDUSTRIES
FIBERFIL
NYLAFIL
EL REXENE
Low Density
polyethylene
polypropylene
ABS
polystyrene

DIRECT SELLING AND HOME DECORATIONS

- food storage containers
- food serving products
- kitchen aids
- toys
- direct selling cosmetics
- decorative accessories
- premiums



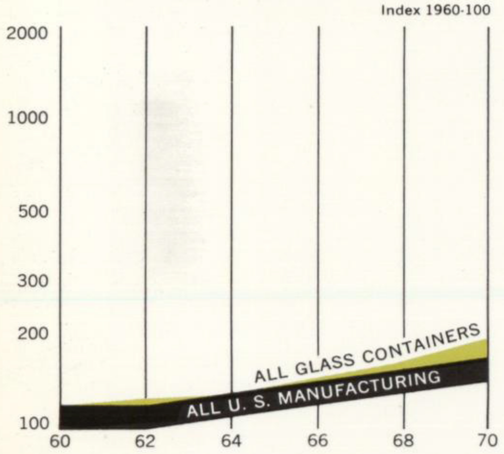
ETHICAL DRUGS

- broncholytics
- skeletal muscle antispasmodics
- hypotensives
- appetite suppressants
- analgesics

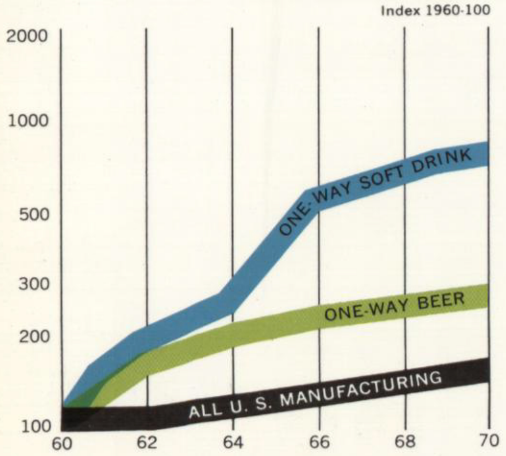
MEDIHALER
NORFLEX
(ORPHENADRINE CITRATE)
U.S.P. UNITS
RIKER LABORATORIES
NORTHRIDGE, CALIF.
RAUWILOID

GLASS CONTAINERS

GROWTH OF GLASS CONTAINERS
VS. ALL U. S. MANUFACTURING



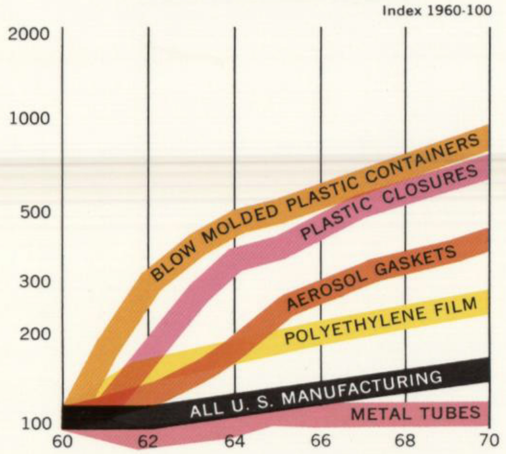
SOURCE: U. S. Dept. of Commerce, Modern Packaging.



SOURCE: U. S. Dept. of Commerce, Modern Packaging, Modern Plastics

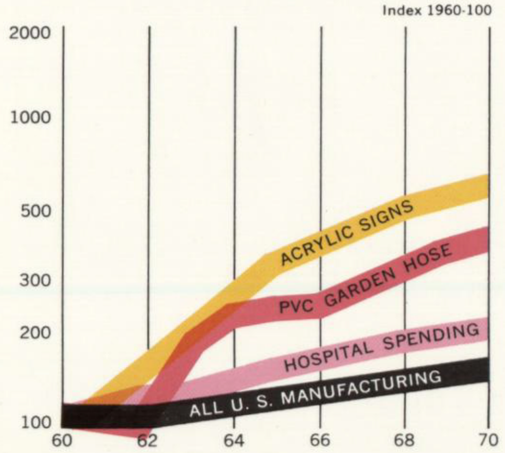
PACKAGING, PROCESSING AND ARCHITECTURAL

GROWTH OF PACKAGING PRODUCTS
VS. ALL U. S. MANUFACTURING



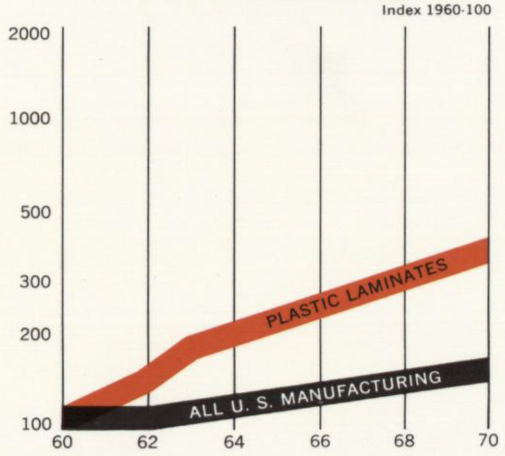
SOURCE: McGraw-Hill, U. S. Dept. of Commerce, Aerosol Age, Metal Tube Package Council, Modern Plastics and Industry estimates

GROWTH OF MISCELLANEOUS PROCESSING AREAS
VS. ALL U. S. MANUFACTURING



SOURCE: American Hospital Assoc., Modern Plastics

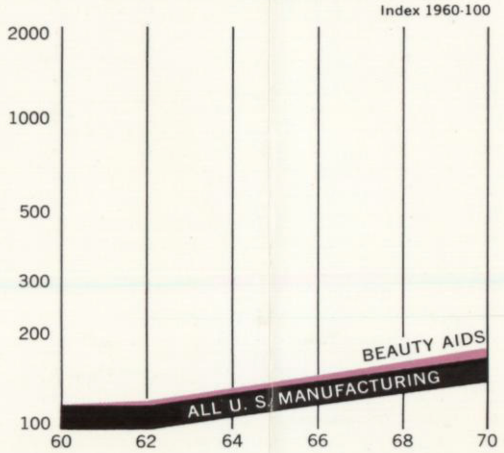
GROWTH OF ARCHITECTURAL MATERIALS
VS. ALL U. S. MANUFACTURING



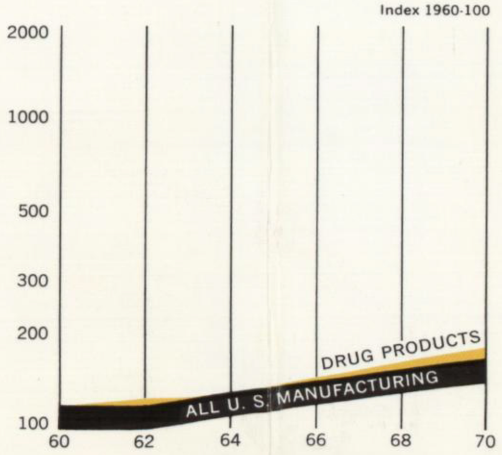
SOURCE: N.E.M.A.

PROPRIETARY DRUGS

GROWTH OF DRUG STORE PRODUCTS
VS. ALL U. S. MANUFACTURING



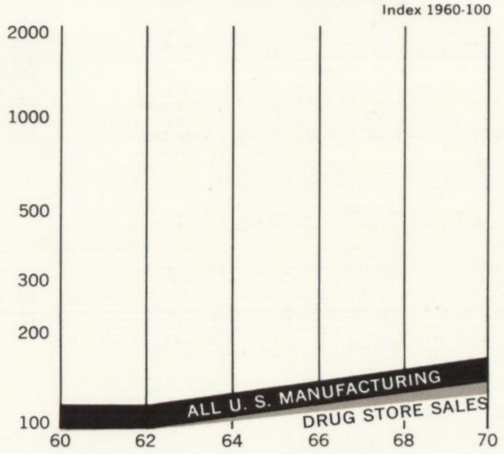
SOURCE: Drug Topics and Industry estimates



SOURCE: Drug Topics and Industry estimates

RETAIL STORES

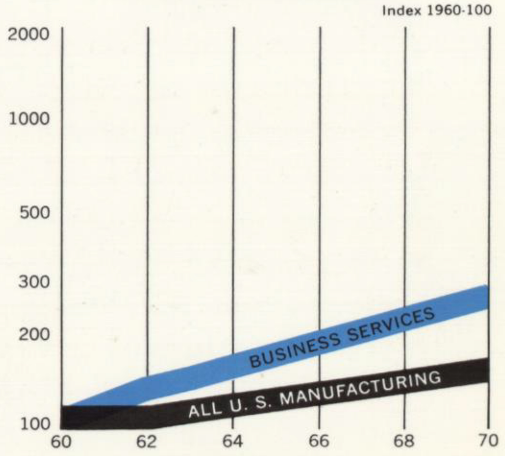
GROWTH OF DRUG STORE SALES
VS. ALL U. S. MANUFACTURING



SOURCE: U. S. Dept. of Commerce (projected)

SERVICES

GROWTH OF SERVICES
VS. ALL U. S. MANUFACTURING



SOURCE: U. S. Dept. of Commerce and Industry estimates

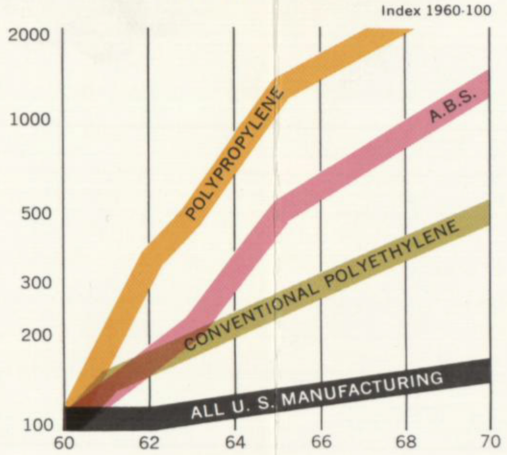
Building Today for Growth Tomorrow...

Expanding in Growth Industries

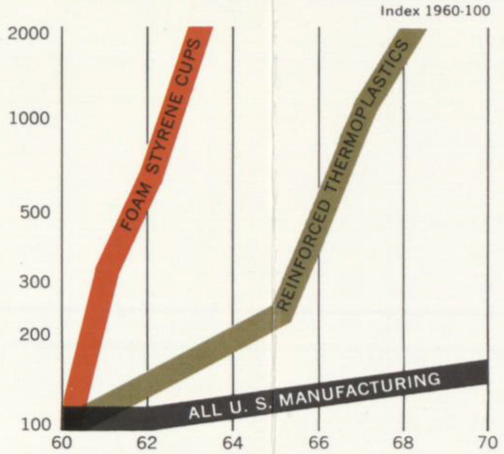
Opportunities for growth are greater within growth industries or growth segments of stable industries. Reliable industry growth figures are available for 29 of the 33 primary areas of Rexall diversification. As these charts show, in 27 of the 29 areas, growth exceeds the average for all U.S. industry. Reliable industry figures were unavailable for direct selling, color concentrates, polyvinyl wall coverings and plastic tubes, although each is recognized as a growing area. It is Rexall's goal to continue to compound its growth by increasing its share of these growing markets, and to enter new growth fields as they develop.

CHEMICALS

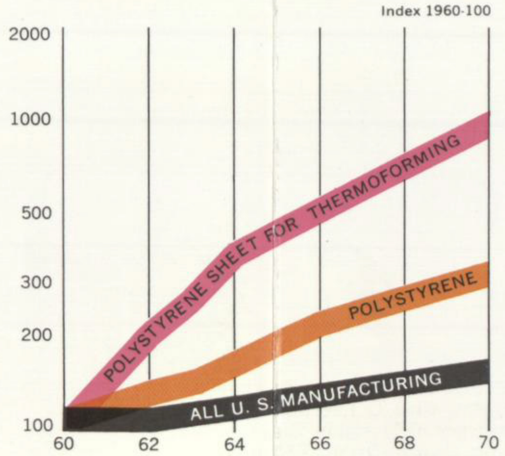
GROWTH OF CHEMICAL PRODUCTS VS. ALL U.S. MANUFACTURING



SOURCE: McGraw-Hill, U. S. Dept. of Commerce, S.P.I., U. S. Tariff Comm. and Industry estimates



SOURCE: McGraw-Hill, U. S. Dept. of Commerce, S.P.I., U. S. Tariff Comm. and Industry estimates

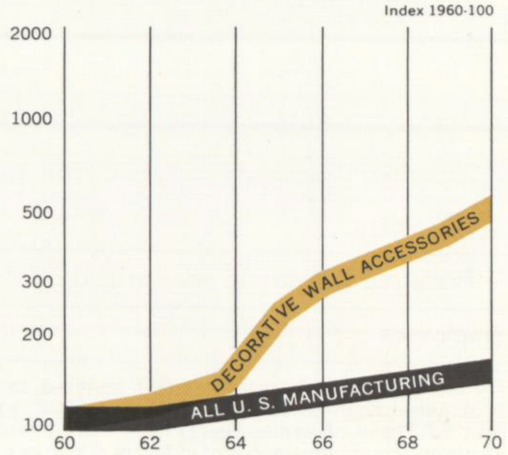


SOURCE: McGraw-Hill, U. S. Dept. of Commerce, S.P.I., U. S. Tariff Comm. and Industry estimates

DIRECT SELLING AND HOME DECORATIONS

Reliable industry-wide figures relating to the areas that Tupperware and Vanda serve are unavailable. Since joining Rexall, Tupperware has enjoyed a very favorable growth rate worldwide.

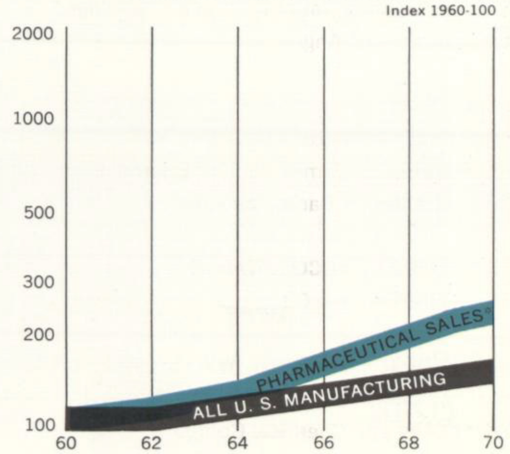
GROWTH OF DECORATIVE WALL ACCESSORIES VS. ALL U. S. MANUFACTURING



SOURCE: Industry estimates

ETHICAL DRUGS

GROWTH OF PHARMACEUTICALS VS. ALL U. S. MANUFACTURING



SOURCE: Pharm. Mfg. Ass'n. (projected)
*U. S. Firms — Worldwide

The President's Letter

To stockholders:

EARNINGS AND SALES

Consolidated net earnings for 1966 were $27,052,000 or $1.71 per share compared to $32,669,000 or $2.17 in 1965. Consolidated net sales for 1966 were $483,974,000 compared with $458,141,000 in 1965. Sales and earnings for both years include results of companies acquired in 1966 on a pooling of interests basis, including Fiberfil, acquired early in 1967.

A substantial part of the decrease in earnings for 1966 compared with 1965 was experienced in start-up costs of new plants, new ventures and the digestion of some acquisitions. Slow delivery of equipment added to our start-up costs. We also sustained losses in operating and reorganizing our Japanese subsidiary.

The year 1966 may be described as an abnormal year in that we launched or expanded an unusually large number of projects. We are, however, convinced that the capacity generated by these new or expanded plants and the opportunities afforded us by the new ventures should add substantially to your Company's future profits.

NEW VENTURES

We are considerably more confident at this time concerning the future of your Company's Bonus Gifts program than we were at this time last year. Bonus Gifts will market test its coupon program in September with approximately 300 different food and household products of the country's top manufacturers.

Vanda direct-selling cosmetics is now operational and is expanding its distributor force throughout the United States.

Ralph Wilson Plastics, makers of Wilson-Art counter and table top plastic laminates, are expanding their activities into correlated decorative wall surfacing in the form of plastic covered wallboard and vinyl wall coverings.

The American Gasket Company, a quality supplier of aerosol gaskets, continues with new product developments in gasket seals for aluminum and steel nails for use in the building industry.

1967 ACQUISITIONS

We have recently acquired Fiberfil, of Evansville, Indiana. This company has developed and is using outstanding processes for the infusion of fiberglass and other reinforcing materials into thermoplastic resins. These reinforced resins give markedly improved properties such as impact strength, tensile strength, thermal strength and dimensional stability in products molded from them. Nylon, polystyrene, ABS, polycarbonates, polyolefins, and the entire family of thermoplastics currently are being modified by Fiberfil. The die cast metal and automobile industries are increasing their uses of these reinforced thermoplastics. Fiberfil was acquired through an exchange of shares.

In Mexico we have purchased an additional line of ethical drugs which have been consolidated with our existing operations in that country.

MANAGEMENT DEVELOPMENT

The development of people has top priority in Rexall. We have expanded our companywide activities in the developing and recruiting of manpower as well as the broader use of technical service specialists who are bringing new efficiencies to the operations, distribution and marketing aspects of our divisions.

THE YEAR IN BRIEF

	1966	*1965†*
OPERATIONS		
Net sales	$483,974,000	$458,141,000
Net earnings	27,052,000	32,669,000
Per share of Common Stock	1.71	2.17*
NUMBER OF SHARES OF COMMON STOCK		
Average during the year	12,747,944	12,641,058*
Outstanding at year end	12,773,360	12,717,783*
NUMBER OF SHARES OF PREFERRED STOCK		
Outstanding at year end	2,640,436	2,630,186
AT YEAR END		
Current assets	$201,412,000	$196,661,000
Current liabilities	73,395,000	75,734,000
Working capital	128,017,000	120,927,000
Long term debt	82,030,000	83,285,000
Stockholders' equity	220,204,000	202,212,000
DIVIDENDS PER SHARE		
Common Stock		
Cash	$ .30	$ .30
Stock	3%	3%
Preferred Stock ($2 annual rate)	1.00	—

†Restated—See note to financial statements.

*Adjusted for 3% Common Stock dividend issued in March 1966.

THATCHER GLASS

On February 15, 1967, we were notified of the Federal Trade Commission's intention to challenge the merger between Thatcher Glass Manufacturing Company, Inc. and Rexall, completed last June 30. We are availing ourselves of the opportunity to settle this matter by negotiation, but, if a reasonable settlement cannot be reached, it is our intention to litigate.

DIVIDENDS

The Company declared its regular quarterly cash dividends totaling 30 cents a share during 1966. For the ninth consecutive year, the Board of Directors voted a stock dividend of 3 percent, paid February 24, 1967 to stockholders of record on January 6, 1967.

DIRECTORS

Franklin B. Pollock, chief executive of Thatcher Glass, Ralph Wilson, chairman of our architectural plastic products activities, and Dr. Jacob Stutzman, chairman of our Riker group, were elected to the Board of Directors. Director William T. Gossett, president-elect of the American Bar Association, was elected to the Executive Committee. Franklin B. Pollock was elected Vice Chairman of your Board. Nad A. Peterson, assistant general counsel, was elected secretary of the corporation.

OUTLOOK

Because of some carry-over into 1967 of start-up and operational problems, we expect that profits for the first half of 1967 will be lower than for the same period in 1966. However, we forecast the second half of 1967 will be substantially ahead of 1966, and that the year as a whole will be nicely ahead of last year. This, of course, assumes a reasonable level of economic activity. We expect that in 1968 we will show cumulative benefits from our expanded facilities and new ventures.

Respectfully submitted,

Justin Dart

JUSTIN DART, Chairman of the Board, and President.

March 20, 1967